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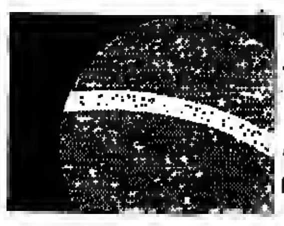

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FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY OCTOBER 6 1993

D8523A

QVC arranges $4bn finance for Paramount bid

QVC Network, ths home shopping channel headed by Barry Diller, yesterday said it had arranged financing of $4bn to back its hid for Paramount Communications.

It also said it had delivered evidence of the financing arrangements to Paramount in an approach that could could prompt the first discussions between the company and Paramount directors. Page 19; Lex, Page 16

Rabin-Arafat talks in Cairo

Israeli prime minister Yitzhak Rabin, left, is due in Cairo today to hold talks with Palestine Liberation Organisation leader Yassir Arafat on the details of the autonomy plan for the occupied territories. They are expected to discuss the growing tension in the territories since the joint declaration of principles on autonomy was signed in Washington last month. Page 6

EC enlargement target stays: European Community foreign ministers said they expected negotiations with Austria, Sweden, Finland and Norway to be completed by next March, allowing them to join the EC by January 1995. Page 16; Bonn braced for treaty ruling, Page 3

Steelmaker to cut 11,600 jobs: Ilva, lossmaking, state-run Italian steel group, is to axe 11,600 of its 40,000-strong workforce between 1994 and 1996 in response to EC pressure to cut overcapacity. Page 3; Steel prodncers in sight of pact, Page 6

Norway in whaling move: Norway said it would seek US agreement for a limited resumption of commercial whaling, after the US decided to delay trade sanctions against Oslo. Page 5

Bhutto faces close race: Former Pakistani prime minister Benazir Bhutto was believed to be slightly ahead of main opponent Mohammed Nawaz Sharif in the run-up to elections being held today. Page 6

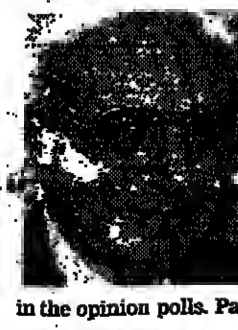
Danish PM's pledge to help: Danish prime minister Poul Nyrup Rasmussen pledged to maintain and improve the welfare state in a speech at the opening of a new session of parliament. Page 4

Japanese surplus: Japan's current account surplus expanded to $7.23bn in August, slightly less than the market had expected. Page 6

Boost for Australia's republicans: Relatively little alteration would be needed to Australia's constitution in order to replace the British monarch with an Australian head of state, a committee advising Australia's federal government concluded. Page 6

Obayashi quits US west coast: The Japanese construction company is to withdraw from the US west coast property market by liquidating three Los Angeles-based subsidiaries and writing off losses of Y30bn ($278m) in the year to March. Page 17

Greek Socialists confident of poll win



Greece's opposition Socialists led by Andreas Papandreou, left, are so confident of victory in Sunday's election that they are already discussing the outline of a "social contract" with workers and employers. The Socialists are 3-5 points ahead of the conservative New Democracy party in the opinion polls. Page 16

Japanese carmakers in supply deal: Three Japanese carmakers announced plans to supply each other with vehicles for the home market so they can maintain product ranges while cutting development costs. Page 20

Pedal power: Transmanche Link, Channel tunnel contractor, has bought 200 mountain bikes to speed workers through the underground construction site. Page 9

World chess: Nigel Short of Britain drew the [illegible]th game of the London world chess championship against Garry Kasparov. Kasparov, world champion, leads the 24-game series 9-4.

STOCK MARKET INDICES		
FT-SE 100:	3085.2	(+17.5)
Yield	3.80	
FT-SE Eurotrack 100	1315.31	(+14.77)
FT-A All-Share	1526.43	(+0.5%)
Nikkei	20,321.93	(+57.50)
New York lunchtime:		
Dow Jones Ind Ave	3581.17	(+13.41)
S&P Composite	462.25	(+0.91)
US LUNCHTIME RATES		
Federal Funds:	3⅛%	
3-mo Treas Bills: Yld	3.013%	
Long Bond	103½	
Yield	5.985%	
LONDON MONEY		
3-mo Interbank	6½%	(same)
Liffe long gilt future:	Dec 113¼	(Dec 113¾)
NORTH SEA OIL (Argus)		
Brent 15-day (Nov)	$17.11	(17.125)
Gold		
New York Comex (Dec)	$354.8	(354.6)
London	$353.25	(352.75)

STERLING		
New York lunchtime:		
$	1.514	
London:		
$	1.517	(1.515)
DM	2.4625	(2.46)
FFr	8.61	(8.5825)
SFr	2.1575	(2.1475)
Y	160.0	(160.25)
£ Index	80.5	(same)
DOLLAR		
New York lunchtime:		
DM	1.62615	
FFr	5.681	
SFr	1.42415	
Y	105.55	
London:		
DM	1.6235	(1.624)
FFr	5.675	(5.665)
SFr	1.4215	(1.417)
Y	105.55	(105.8)
$ Index	65.1	(same)
Tokyo Close Y 105.30		

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh15	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft185	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lev25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Peso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils600	Poland	Z22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Esc215	Tunisia	Din1.250
France	FFr8.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Outcry over restrictions on media ■ 1,500 held in detention centres

Yeltsin purges his opponents

By Leyla Boulton and Gillian Tett in Moscow

Russian special units, hunting for snipers and looters, search people near the parliament building in Moscow yesterday
Reuter

PRESIDENT Boris Yeltsin yesterday began a purge of his opponents in Moscow and in the regions amid a public outcry over the effects of emergency restrictions on the media.

Mr Yeltsin, who declared a week-long state of emergency in Moscow after the army crushed an armed uprising by supporters of the parliament, sacked the prosecutor-general, Mr Valentin Stepankov and two regional governors.

He also postponed a meeting of regional leaders, who had been expected to set up a new Federation Council, to give him more time to purge disloyal officials in the provinces.

Media restrictions, including bannings and censorship, caused a storm of protest and prompted the resignation of Mr Yeltsin's media aide, Mr Mikhail Poltoranin.

It also emerged that 1,500 people, rounded up after elite troops stormed the White House, were being held in detention centres around Moscow.

Apart from the rebellion's top leaders, such as the former Mr Alexander Rutskoi, vice-president, and Mr Ruslan Khasbulatov, the parliamentary speaker, who were in Lefortovo jail, those in custody included deputies who stayed in the White House, as well as snipers and demonstrators who stormed the mayor's office and the television centre on Sunday night.

One of those detained and then released, Mr Boris Kagarlitsky, a writer and member of tbe Moscow city council, said yesterday many demonstrators and bystanders bad been severely beaten to force confessions while in police custody.

"We were taken to two different police cells and held there for about 25 hours," he said. "I can't remember everything because it was total chaos, but we were heaten very hard. I was not beaten too badly, hut they beat the driver of our car very seriously to make him confess ... it was crazy, because first they beat him to make one confession and then they beat him until he made anther quite different one."

"We were handcuffed and beaten with Kalasbnikovs to make us sign a confession. We were not blindfolded, but told to face the wall, and if we turned around we were kicked," he added, saying that their official charge was stealing a police car.

The deputies were finally released, one with a broken rib, when an international human rights group telephoned the police stations directly.

However, Mr Kagarlitsky said that at least two more deputies from the Moscow city council were still being held and expressed deep concern about the fate of the thousands of other, lesser known opposition figures now arrested. "I was a dissident under Brezhnev and jailed for 13 months then. But I was never beaten like that then," he said.

Mr Yeltsin's onslaught also turned to the regions. The Federation Council was due to comprise the chiefs of the regional administrations and councils in each of Russia's 88 regions. According to Mr Yeltsin's original plan when he dissolved the Russian parliament two weeks ago, the Federation Council was to become the unelected upper

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CRISIS IN RUSSIA

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- ■ Communist spectre returns to haunt media

Pressure in US for troops to leave Somalia

By Jurek Martin in Washington

PRESIDENT Bill Clinton yesterday cut short a West Coast trip to fly back to Washington for discussions with senior advisers on the next US moves in Somalia. The decision comes in the face of growing domestic pressure for an early withdrawal of US troops from the country.

As General Mohammed Farah Aideed, the Somali warlord, taunted the US in radio broadcasts, the US public and its politicians recoiled from graphic television pictures of US servicemen killed or captured in Mogadishu on Sunday.

The weight of political pronouncements was heavily in favour of US disengagement from Somalia. Senators as philosophically different as Bill Bradley, the New Jersey Democrat, and John McCain, the Arizona Repnhlican, urged the president to bring US troops home.

Last week the House followed the Senate in passing a non-binding resolution requiring Mr Clinton to seek Congressional approval by November 15 for continned deployment of US forces. On Monday, demonstrating comparahle concern, the Senate appropriations committee voted to delete all the funding requested by the administration for peacekeeping purposes.

Some senior voices, including Senator Sam Nunn, Democratic chairman of the armed services committee, and Senator Richard Lngar, the Republican foreign policy expert from Indiana, argued that continued deployment for protective purposes was necessary while a more definitive policy was worked out.

On Monday Mr Clinton dispatched reinforcements to Mogadishu, including gunships, tanks and helicopters, after the heaviest losses in the 10-month US presence in Somalia. He warned Gen Aideed of the severe consequences of harming any of the captured US servicemen.

The president also said on Monday that US troops were now more vulnerahle because there were fewer of them – abont 4,000 compared to a peak of nearly 30,000 – and because Somalis, no longer starving, seemed more susceptible to the exhortations of warlords like Gen Aideed.

Mr Clinton and Mr Les Aspin, his defence secretary, said the reinforcements were essentially protective in nature. Bnt neither denied that it remained a US objective to capture Gen Aideed and his leading supporters.

US policy remains ultimately to withdraw its forces from Somalia, on the grounds that the bumanitarian mission has been completed. UN contingents are then supposed to keep the peace and encourage the process of reconciliation and nation building by the Somalis.

Mr Warren Christopher, the secretary of state, has written to Mr Boutros Boutros Ghali, the UN secretary-general, urging the political process under UN auspices to be put on a faster track. But Mr Boutros Ghali is said to be concerned that an early US withdrawal would jeopardise the whole UN operation in Somalia.

The Pentagon, meanwhile, is most exercised hy the threat posed to US troops hy Gen Aideed's nrhan guerrillas in sonth Mogadishn, which explains why reinforcements have been sent without delay. Mr Aspin continned to argue that the purpose was to prevent a return to "famine and anarchy".

China defies Clinton with underground nuclear test

By David White, Defence Correspondent, in London

CHINA yesterday defied the US hy going ahead with an underground nuclear explosion, the first test by any country for more than a year.

Its action prompted President Bill Clinton to order the US Department of Energy, which is responsible for nuclear warheads, to prepare for a "possihle" resumption of testing.

China was explicitly rejecting a plea made last month by Mr Clinton to suspend its plans and join the other recognised nuclear powers – the US, Russia, France and Britain – in a moratorium.

China said it favoured a global test-ban treaty by 1996. But it is feared that yesterday's test could set a precedent and undermine prospects for a comprehensive ban, on which negotiations are set to start in January. This in turn would cast a shadow over the future of the Non-Proliferation Treaty, the international instrument for preventing the spread of nuclear weapons, which is due for renewal in 1995.

China's action may be privately welcomed hy officials in the other nuclear powers who have been arguing the need for further tests of their own.

Russia first announced a moratorium two years ago, followed last year hy France and then the US. Britain is bound by US policy since it uses the Nevada test site. The US moratorium, extended in Jnly for at least another 15 months, is conditional on no other nation conducting tests in the meantime.

Mr Clinton said in July thet if another country broke the moratorium he would order additional US tests. However, an actual resumption of US testing in response to this single Chinese explosion is thought unlikely, and would face strong opposition in the US Congress.

The test, recorded hy foreign monitoring stations, took place at around 0200 GMT at the Lop Nor test site in Xinjiang province, some 1,500 miles west of Beijing.

Mr John Lanchbery of the London-based Verification Technology Information Centre said it was a relatively small device with a yield of between 20 and 40 kilotons, roughly twice that of the 1945 Hiroshima bomb.

China last conducted an explosion in September 1992, sbortly after the most recent US test. Yesterday's test was China's 39th since 1964. The other nuclear powers have carried out about 2,000 since 1945. The Chinese government said it would stop testing once a comprehensive treaty was signed.

France is also considering whether to resume testing at Mururoa Atoll in the South Pacific.

Daimler puts on the style for NY debut

By Patrick Harverson in New York

DAIMLER-BENZ made a splashy debut on the New York Stock Exchange yesterday, aided by helicopters, fire trucks, jet engines and a prototype sports car. Daimler is the first German company to obtain a full listing of its shares on US equity markets.

Enthused hy the morning's highly publicised event, Mr Edzard Reuter, chairman of the managing board of Germany's higgest industrial group, said he wanted to boost US ownership of its stock to 10 per cent of the total.

Amid a scrum of German and US television camera crews and journalists on the NYSE's giant trading floor, Mr Reuter watched the first trade of Daimler's shares, describing it as an "exciting and historic" moment.

In an important compromise earlier this year, Daimler agreed with the Securities and Exchange Commission to produce accounls according to US standards, paving the way for the listing. The NYSE, which has been trying for years to attract more foreign companies to its market, especially from Germany, was delighted with Daimler's agreement with the SEC.

Thus, both parties marked the debut in some style. Outside the NYSE's imposing entrance on Broad Street, an impressive range of Daimler products was on display.

NYSE traders stopping for a cigarette break, office workers on their way to work and passing tourists all took time out to admire the goods. There was a BK117 "Whirly Angel" helicopter, a shiny red S-class convertible Mercedes, a brand new Freightliner fire truck and scale models of Eurofighter jets, high-speed trains and Ariane space rockets.

A sleek, metallic blue prototype sports coupé, however, quickly became the star of the morning show.

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Change of economic course in wind

Russia looks to IMF and World Bank for speedy help, writes John Lloyd

THE RUSSIAN government expects accelerated assistance from the International Monetary Fund and the World Bank before the end of the year, with the $1.5bn (£993m) second tranche of the IMF's systemic transformation facility likely to be paid next month.

Meetings last week in Washington between Mr Boris Fyodorov, finance minister, and the leadership of the Fund and the Bank encouraged both institutions to hope for a decisive change of course in an economic policy which had gone badly off course in the past three months. Inflation reached around 27 per cent in August and about 20 per cent the following month, according to figures released yesterday by the government's Economic Reform Centre.

Mr Fyodorov told both institutions he expected that results of a tighter financial and budgetary policy would be obvious by the end of this month.

The governments of the Group of Seven leading industrial countries want to support President Boris Yeltsin in the run-up to the parliamentary elections scheduled for December. They are also keen that the elections take place no later than December so that the period in which he can indulge in a pre-election spending spree to bolster his popularity is kept to a minimum.

Mr Sergei Vassiliev, head of the Economic Reform Centre, said the administration was preparing a raft of measures under the heading of a "Plan for Economic Work in 1994". These would centre on liberalisation of trade and energy prices, speeding up privatisation and protecting private property, with "post-privatisation" reforms designed to make enterprises now in the private sector more efficient, and to streamline the relationship between the federal and regional budgets.

The absence of the parliament, he said, gave the government a certain freedom of action. But "on the other hand, elections to the new parliament mean that the government cannot plan properly in this period".

Emphasising the seriousness of the present economic situation, Professor Richard Layard, an adviser to the government, said yesterday that the rise of central bank credits in the third quarter was likely to be around 40 per cent, against a target of 20 per cent.

He said that an extra cause of alarm was that the velocity of money transactions – the rate at which money changes hands – had risen sharply. Between October last year and this August, money had increased 4.45 times while prices had increased 7.78 times.

"This means that people are spending their money much faster than before. This was always the great worry – that in an inflationary situation people don't want to hold on to their money. It's dangerous because even if you manage to stick to the credit targets, you don't necessarily check inflation."

He said that measures to restrict credits and bring down the budget deficit "would be very hard – but inflation is also very hard on people".

Reformers in the government are now pressing hard for the resignation of Mr Viktor Gerashchenko, central bank chairman. Mr Andrei Illarionov, economic adviser to Mr Viktor Chernomyrdin, the prime minister, said yesterday that since the bank had been brought under government control on September 21 following the banning of parliament, it had refused to carry out an order to remit its profits to the government.

Mr Illarionov, in a detailed critique of the bank, said yesterday that its "senseless" decision in July to declare invalid all pre-1993 cash roubles had increased inflation in August by up to 15 per cent, and in September by around 7 per cent as cash flooded back into Russia from former Soviet republics still using the rouble.

The bank's announcement on Monday that transactions in foreign currency were to be declared invalid from January 1 was not backed by the government, and was impossible to implement.

Mr Vassiliev said the economy was now extensively dollarised: between a third and a half of cash money circulating or on deposit was now in dollars. "The central bank's action is stupid, and they must change it," he said.

Mr Vladimir Vinogradov, head of the Moscow Bankers' Association, called the decision "premature and another mistake by the central bank". There was, he said, no point in banning foreign currency until trust was restored in the rouble.

The scanty good news is that privatisation continues at a rapid rate. According to figures from the Centre for Economic Performance, some 20 per cent of workers now work for companies in the private sector. Prof Layard said that between 3 and 4 per cent of Russian industry was being privatised each month.

"This is the fastest rate of privatisation in human history.

"In one month the Russian government is privatising more than Mrs Thatcher [former British prime minister] did in 10 years."

Communist spectre returns to haunt media

By Leyla Boulton in Moscow

THE CHIEF villain of the Communist regime – the censor – has returned to Russia's political stage.

It appeared yesterday that media censorship was part of the state of emergency declared by President Boris Yeltsin on Sunday night, covering even some newspapers that have generally supported him.

An article describing panic in the Kremlin on the night of the rebellion by President Yeltsin's enemies was one of the articles removed by the censor who visited the offices of Russia's independent Sevodnya newspaper.

Along with this came the banning of at least eight "opposition" newspapers, such as Communist Pravda, and the extremist Den (Day).

The other item removed by the censor from yesterday's edition of Sevodnya was a protest against the closing down of newspapers.

Mr Dmitry Ostalsky, Sevodnya's editor, said yesterday that while he accepted the right of the censor to edit copy for the sake of a temporary state of emergency, the rapid restoration of a pluralistic and independent media was essential for the conduct of fair elections scheduled in December.

"Nobody will take seriously the results of any elections conducted in a state of emergency," he said.

Fully in favour of Mr Yeltsin's radical economic reforms, Sevodnya, founded by Mr Vladimir Gussinsky, chairman of the Most (Bridge) banking and construction group, is one of the first of the financially independent media in Russia. Unlike many other papers, it is not even restricted by dependence on state subsidies.

His views were shared by many in the president's own entourage and among supporters of his reforms, in the first serious public split over how to move from Mr Yeltsin's week-long state of emergency to new democratic elections.

Mr Mikhail Poltoranin, a presidential aide who had been standing in as information minister, resigned yesterday, apparently in protest at the censorship. His functions are to be taken over by Mr Vladimir Shumeiko, the first deputy prime minister.

Miss Alla Yarushinskaya, a member of the president's advisory council, told a radio interviewer that she had "not joined the defenders of Ostankino TV centre to see political censorship imposed the next day on newspapers".

The ban, cited as necessary for maintaining order, even included middle-of-the-road papers such as Rabochaya Tribuna (Workers Tribune), funded by a union of industrialists and a large trade union confederation.

"This newspaper has done its best to keep workers off the streets," said Mr Alexander Vladislavlev, deputy head of the industrialists' union. The union's president, Mr Arkady Volsky, meanwhile, went to see the prime minister to have the ban lifted on Rabochaya Tribuna.

"We must do our best to preserve immediately the young shoots of democracy," said Mr Vladislavlev in an interview yesterday. He is also chairman of the Renewal party, which plans to take part in the December elections.

Mr Yeltsin must move quickly to demonstrate whether the censorship exercised so far is part of a deliberate policy, or a temporary accident, like some of the other consequences of his state of emergency.

Some of the bannings were clearly directed at nationalist and Communist media outlets opposed to Mr Yeltsin. Yesterday, for example, the "600 Seconds" television programme was suspended. The Information Ministry in Moscow said it had been stopped because it had "whipped up national, class, social and religious intolerance". The show is presented by Mr Alexander Nevzorov, a hardline nationalist journalist. The programme is popular over large areas of western Russia.

Three pro-Yeltsin state-funded newspapers were kept off the streets because their printing house was strafed with bullets. The government's newspaper, Rossiisskaya Vesti, was seized by the government's own security forces – presumably by mistake. Others still could not be delivered to addresses near the White House because the nearby bridge was cut off by tanks involved in the mopping-up operation.

Reading all about it: Russian soldiers yesterday getting a one-sided account of their actions the previous night Reuter

CENSORS SUPPRESS JOURNALISTS' APPEAL FOR FREE SPEECH

THE following is a declaration by journalists of the Liberal Sevodnya (Today) newspaper, which was kept out of yesterday's edition by Russia's new censors:

AFTER the crushing of the armed uprising by the nationalist-Communist opposition, the ban on opposition newspapers cannot be considered an appropriate measure either from a legal, political or moral point of view.

If the problem is one of genuine subversive activity, then the authorities can use temporary censorship, allowed for under the state of emergency law, as well as taking legal action provided for by the press law.... the absurd and harmful orders closing down the opposition press deprives us of the moral right to support the present political authorities.

In present conditions, only guaranteed freedom of speech can save the regime from degeneration and arbitrary rule.

Opposition newspapers must be reinstated immediately.

Two regional governors lose their jobs in battle of wills

Regions regard Moscow moves with wary eye

By Leyla Boulton and Gillian Tett in Moscow

WHEN BUSINESSMEN in Russia's Novosibirsk region wrote to President Boris Yeltsin complaining about the threatened sacking of the local governor, the reply came from an official in the president's office.

The fact that the letter was not answered by Mr Yeltsin himself was seen as an example of arbitrary rule from the president in Moscow.

"It's like when the politburo in Communist times controlled everything, including the government," Mr Vyacheslav Tyabotin, a spokesman for the Novosibirsk regional administration, told the Financial Times yesterday.

Having overcome his opponents in Moscow with a show of force, President Yeltsin has a fine line to tread between dictatorial high-handedness and reformist determination. It will be difficult enough to find a balance between vital political reforms devolving power to the regions while retaining for Moscow enough power to maintain a single financial policy and a universal tax system.

The sackings yesterday of two powerful regional governors opposed to Mr Yeltsin was the first salvo in the president's battle to impose his will on the regions, even though most of the other 88 regional governors support him.

The two governors sacked – Mr Vitaly Mukha, Novosibirsk regional head, and Mr A Surat, Amur governor – lost their jobs because they had opposed the president's dissolution of parliament, a Kremlin statement said.

Mr Yeltsin's previous attempt to fire Mr Mukha failed after the regional council refused to let him go. On Monday the regional administration condemned violence by both sides in Moscow, calling for early elections of president and parliament and urging the inhabitants of this Siberian province to stay away from rallies and strikes.

Calm has been observed so far, but it is unclear whether some regions will take protest action against the president's attempts to impose his will on them directly.

Mr Kirsan Ilyumzhinov, the president of Russia's republic of Kalmykia, last week hosted a meeting at which regional leaders, most of them from councils, discussed the possibility of economic sanctions – such as closing railways and pipelines – to forestall such action.

Having tried to broker peace talks between Mr Yeltsin and Mr Alexander Rutskoi, the vice-president, Mr Ilyumzhinov has also been given a heavy hint to fall into line in future: Mr Yeltsin's anti-corruption committee leaked a report on Monday that he may have been involved in corrupt deals related to the vice-president.

In a second salvo, a presidential aide said that Mr Yeltsin was considering whether to dissolve all regional councils, or only those which had opposed his orders for new elections.

Only half of the councils have come out in support of Mr Yeltsin's decree dissolving parliament last week and calling new elections. They have all been concerned to prevent bloodshed from spilling into the regions, but a meeting of the Federation Council – to represent regional leaders – was postponed yesterday while the president decides whether the local councils should be represented on it and, if so, which councils.

> It will be difficult to find a balance between vital reforms devolving power while retaining for Moscow the power to keep a single financial policy

Many have toed a cautious line, refraining from voting outright against Mr Yeltsin's instructions.

The regional council in the Urals region of Perm for instance failed to obtain a quorum to condemn the dissolution of parliament. But a spokesman for the Perm administration said yesterday that their "ambiguous statement" after events in Moscow suggested they were not completely loyal.

In the mining Kuzbass region, a local administration spokesman said that the council and administration were working together to prevent Moscow's violence from spreading locally.

If Mr Yeltsin calls for re-election of the soviets, or councils – without a reform of their role – he could find himself with the same people in charge of unreformed legislatures.

Mr Yuri Luzhkov, the mayor of Moscow who helped put down the uprising against Mr Yeltsin, set the example yesterday by dissolving Moscow's city and district councils and saying they would be replaced by a single new-look city council which would not meddle in his day-to-day running of the city.

Russians aim low on state sales

By Sheila Jones

MOST Russians favour privatisation that would allow them to buy their own home, o car, a farm or a shop, according to a survey by Professor Richard Rose of the University of Strathclyde. However, 72 per cent have a negative view of the privatisation of large state-owned enterprises, the cornerstone of the government's privatisation plan.

"The abstractions of capitalism mean even less to the average Russian than the abstractions of socialism," according to Prof Rose. "Thus, the idea of owning a millionth or ten-millionth of a share in a big state enterprise is hard to understand and unappealing."

A total of 1,973 Russians from across the country were interviewed for the survey by the Russian Centre for Public Opinion Research in June and July.

The Russian government had hoped that privatisation vouchers issued to each adult last winter would be invested primarily in large enterprises. But three-quarters or more of those surveyed want to buy property in forms "directly relevant to their own family or household needs", the survey says.

The government had failed to "sell" the idea that privatisation would benefit the majority of people.

Yeltsin's Tokyo visit to go ahead

By William Dawkins in Tokyo

PRESIDENT Boris Yeltsin is to go ahead with a three-day visit to Tokyo from next Monday, a move which is likely to improve sensitive relations with Japan.

His cancellation of two visits to Tokyo during the past year has blocked progress on a dispute over four islands off northern Japan which were seized by Soviet troops at the end of the second world war. The cancellations also risked a snub to Japan, Russia's third largest aid donor.

Tokyo yesterday voiced formal regret about the bloodshed in Moscow, but said it would continue to provide financial assistance to Russia.

"We must support [Mr Yeltsin's] way of thinking, which should be good for the world economy as well as world peace," said Mr Hirohisa Fujii, finance minister.

Japan has provided $5bn to Russia since the Soviet Union collapsed. But it says larger-scale economic aid depends on progress on the islands question. Russia and Japan have yet to sign a formal second world war peace treaty because of the this. Their return to Japan is becoming an increasing issue of national pride, as Tokyo becomes more confident in international affairs.

"I think it is the right way, to follow the existing policy, to expand economic and political ties at the same pace," said Mr Morihiro Hosokawa, the prime minister.

Given Mr Yeltsin's problems at home, Japanese officials do not expect to make great progress on the dispute. But they value the opportunity to keep negotiations going.

A Russian delegation is expected to visit Tokyo today to prepare the ground.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 Copenhagen K. Telephone 33 13 44 41. Fax 33 93 53 35.

NEWS: EUROPE

EC close to accord on waste rules

By David Gardner in Brussels

EC environment ministers moved closer yesterday to agreeing Community-wide rules on packaging waste. A majority of the Twelve inclined towards setting flexible, five-year targets for overall recovery of waste, instead of ambitious five- and 10-year goals for each type of waste, with prescribed portions which had to be recycled.

The shift in opinion is partly a result of Germany's experience with its own recycling legislation, which has sent subsidised German waste exports flooding into other EC states. The UK, France, the Netherlands, Danmark, Belgium, Spain, Ireland and Italy have all complained bitterly that Germany's dumping of waste because of its lack of capacity to deal with its high targets is stifling their own infant recycling industries, particularly for plastics, paper and board.

The German minister, Mr Klaus Topfer, began yesterday's discussions by offering bilateral negotiations to deal with the problem, after France threatened an import ban at the last environment ministers' meeting in June.

Mr Timothy Yeo, the UK's junior environment minister, said "clearly we will pursue [negotiations with Germany] at official level". The air thus cleared, ministers agreed in principle that setting ambitious percentages for different types of recovery - re-use, recycling, incineration and so on - could quickly lead the EC into the German waste mountain problem.

The proposal had been for 60 per cent recovery of waste over five years, with 40 per cent recycling, and 90 per cent after 10 years, with 60 per cent recycling.

Ministers now appear likely to settle on the first overall figure, with equivalence of recovery methods that would be decided et national level, and to have a review after five years rather than set a 10-year target now.

The directive would also be strengthened to emphasise prevention, or avoiding the use of material which becomes waste.

The Belgian presidency wants the directive settled by the end of this year, and is also pushing for agreement on an EC energy tax to cut greenhouse gas emissions.

However, it made little headway yesterday in softening UK opposition to the mixed carbon and energy tax proposal, which has been mired in controversy for the past 18 months.

The European Commission yesterday attempted to buy a new lease of life for the tax, which would reach $10 per barrel of oil equivalent by 2000.

It offered a detailed formula to phase in the levy for the poorest four member states. Bnt Mr Yeo reaffirmed that "we are not willing to accept [an energy tax] onposed by the Community". He acknowledged, however, that "this is an issue which is not going to go away".

Bonn braced for ruling on treaty

The court verdict on Maastricht is expected next Tuesday, reports **Quentin Peel**

BARRING last-minute flood or pestilence, Germany's constitutional court will rule next Tuesday on whether the Maastricht treaty on European union is in conformity with the country's basic law.

The date has been confirmed by senior officials of the court, while reserving the right to change it at the last minute if the eight learned red-robed judges in the court's second senate so decide.

Whatever happens, both supporters and opponents of the Maastricht treaty are on tenterhooks – the decision could allow Germany to ratify the treaty, or ratify with strings attached. The question is just how tough the conditions would be.

The concern in government circles in Bonn is that the court may attach strict conditions, severely restricting Germany's room for manoeuvre in any future negotiations on further integration in the European Community.

Such restrictions would be profoundly embarrassing for Chancellor Helmut Kohl, as one of the most enthusiastic proponents of Maastricht, but not necessarily fatal for the ratification process.

Opponents of the treaty, who have tabled 20 separate complaints before the constitutional court, still hope, but do not really expect, that the court may yet decide that the entire treaty be declared void under the constitution.

"We are in suspense," says Mr Manfred Brunner, former chef de cabinet to Mr Martin Bangemann, the senior German commissioner in Brussels, and now the treaty's most prominent opponent before the court. "At the very least, I cannot believe that the constitutional court will accept the automatic process leading to the final phase of European economic and monetary union."

Mr Brunner, who was sacked from his job in Brussels for campaigning against tha treaty, hopes the court may decide there should be no final move to Emu without a referendum in Germany. Given opposition to a single European currency – 71 per cent were against the abolition of the D-Mark in the latest opinion poll – such a referendum would probably reject German participation in Emu.

Such a drastic condition imposed by the court is still regarded as unlikely.

The Foreign Ministry sees three possible outcomes:

● that the Maastricht treaty is constitutionally acceptable, but that any future steps to transfer national sovereignty to EC institutions must be subject to more restrictive conditions;

● that the treaty must be subject to specific legally-binding "interpretations" to ensure that it is in conformity with the constitution;

● that the deposition of Germany's ratification documents in Rome must be accompanied by unilateral declarations stating that they apply to Germany only to the extent permitted by the country's written constitution.

If the court does decide on the last course of action, it could present a difficulty to the government, for no other EC member state has sought unilaterally to define the application of the treaty.

"We have made it clear to the court that we cannot reopen the treaty," a senior government official said yesterday.

"But nobody has deposited such unilateral declarations before."

The other EC member states would almost certainly have to decide if special German conditions would amount to a form of treaty amendment.

The main grounds of challenge to the treaty tabled by Mr Brunner and other challengers, including Green members of the European Parliament and e senior Justice Ministry official, are that it offends inalienable rights in the German constitution by transferring national sovereignty to institutions over which ordinary German citizens have no control.

Mr Brunner also complains that e new article in the German constitution, on future transfers of sovereignty to Brussels to build a real European union, fails to contain adequate constitutional safeguards.

Kohl: court could impose embarrassing conditions Reuter

German building sector in downturn

By David Waller in Frankfurt

INVESTMENT in the western German construction industry has fallen for the first time in six years, figures from the industry's chief trade association showed yesterday.

According to the Hauptverband der Deutschen Bauindustrie, investment fell by e real 0.2 per cent in the first six months of the year compared with the same period last year. The last fall was in 1987, the association said.

Although the drop is small, it shows the construction sector – typically viewed as the most robust industrial sector in Germany amid the country's worst recession since the second world war – is not immune to the downturn afflicting the manufacturing sector.

The small drop in total investment conceals a pronounced fall in construction for the industrial sector – orders were down by nearly 10 per cent.

Public sector construction also fell. This was as a result of the pressure on central and local government to curb expenditure.

Italians unveil plan to shed 11,600 steel jobs

By Robert Graham in Rome

ILVA, the loss-making, state-run steel gronp, has unveiled plans to axe over a quarter of its 40,000-strong workforce in response to EC pressure to cut Italy's overcapacity and end state subsidies.

The job cuts are part of Ilva's plan to split the group into two companies – flat products and special steels – in order to privatise.

The project is dne to be decided et the end of the month by the Ilva board, headed by Mr Hayao Nakamura, the Japanese executive brought in earlier this year to reorganise the group.

According to the plan, 11,600 jobs will be lost between 1994-96, the bulk of which will come from the workforce producing flat products at Taranto, Europe's largest steel plant, and Novi Ligure, near Genoa.

Some 5,000 workers already laid off will not be rehired.

This is a far more radical solution than originally envisaged. It has been drawn up in the past three months after the government recognised the EC would only be setisfied with a clear commitment to rationalise Ilva.

The trades unions have been warned well in advance and their protests are likely to be directed less at the job cuts than at the redundancy terms, retraining and investments in fresh employment – especially in the Taranto area of southern Italy.

Ilva currently has debts of L8,400bn ($5.33bn) and in order to split the group into two for privatisation a complex book-keeping operation is expected to take place where some L5,800bn is written off. The main battle will be over the future of Taranto and the smaller flat prodncts plant at Novi Ligure.

Ona proposal is that Lncchini, the Brescia-based private group, take over the flat prodncts.

Lncchini has alreedy acqnired Ilva's Piombino works with France's Usinor-Sacilor, and the unions see the letter lurking behind its offer.

A second proposal, apparently favoured by Mr Nakamura is that a group of local businessmen back a management bny-ont in conjunction with commitmants to the work-force.

Germany set to oppose Spanish rescue scheme

By Ariane Genillerd in Bonn

THE German government is likely to oppose a European Commission-backed restructuring plan for the Spanish steel industry unless significant changes are made to it, Bonn officials said yesterday.

The plan, which EC industry ministers will ha asked to approve next month, was "completely unacceptable in its present form", they said.

A go-ahead for tha Spanish scheme is crucial for the Commission which is negotiating with other state-snbsidised steelmakers in order to rescue Europe's recession-hit industry.

But opposition to the Spanish deal has been mounting and is now threatening to derail Brussels' attempts to have a EC-wide plan in place by next year.

Under the Spanish proposal, which aims to reduce capacity and state-subsidies, the authorities must close a Basque plant at Anzio by mid-1995. But they can rescue another at Sestao if private investors are found for it.

The plan foresees state aid amounting to Ecu2.77bn ($3.2bn).

German officials say these state subsidies remain "much too high". They also want the Anzio plant closed earlier. "Wa need capacity cuts now and not in two years," a senior official said.

They further object to the Sestao plant being allowed to survive in the hands of private investors.

"We cannot accept an ailing steelmaker being rescued by an investor which will only take a 51 per cent stake, and which may be partially owned by the state itself," an official added.

Nor would the German government accept a restructuring package it disapproved of in return for subsidies for its Ekostahl plant in east Germany. Bonn argues that Ekostahl is a separate case because its privatisation belongs to the restructuring of eastern Germany as a whole.

Danish PM to improve welfare state

By Hilary Barnes in Copenhagen

MR Poul Nyrup Rasmussen, the Danish prime minister, yesterday made a strong commitment to maintain and improve the welfare state in e state-of-the-nation speech et the opening of e new session of the Folketing (parliament). Mr Rasmussen, the Social Democratic head of a four-party centre-left majority coalition, became prime minister in January this year.

He described unemployment, running at a rate of more than 12 per cent, as e problem which is "a real threat to the common well-being and the individual's welfare". He promised an action plan to help "the outcasts, the lonely and the mentally handicapped".

A strongly expansive fiscal policy, announced earlier this year, was the government's ettempt to get the economy moving and bring down the jobless total, he said. Mr Rasmussen, who is down in the opinion polls, promised improvements in health and hospital services, improved services for the elderly, better opportunities for early retirement for older workers, more day-care institutions for small children and a steady expansion of places for post-school job training.

"Can we really afford all the improvements I have named?" he asked. "Yes. We have a surplus on the current balance of payments and low infletion. We have the room for manoeuvre," he said. "An *expensive* speech," was the comment by the opposition Liberal party's economic spokesman, Mr Anders Fogh Rasmussen. He accused the government of using promises of more public expenditure to buy voters ahead of the next election, which must be held before the end of 1994.

Denmark expects to be among élite of EMS

Finance minister Mogens Lykketoft sees the krone as a core hard currency, writes Hilary Barnes

DENMARK expects to be among the core hard-currency countries when new arrangements are made for the European Monetary System, according to Mr Mogens Lykketoft, the finance minister.

"The Danish economy in fundamental respects is strong and we shall have no problem joining the core (ERM) counties. That is our clear intention," Mr Lykketoft, a leading figure in the Social Democrat-led coalition, said in an interview with the Financial Times.

However, he said he does not expect new ERM arrangements to be implemented "for some time" following the forced move to wider 15 per cent bands two months ago.

He said the original January 1 deadline for e return to the previous 2¼ per cent fluctuation bands had little chance of being realised.

Mr Lykketoft is presiding over an economy registering a large current account surplus and an inflation rate of just over 1 per cent. However, unemployment is around 12 per cent.

As a result of a shift to fiscal policy expansion this year, the budget deficit has grown to about 6 per cent of gross domestic product.

The Danish krone, which came under severe speculative pressure during the summer monetary crisis, has lately been holding up relatively well on the currency markets.

The krone has appreciated slightly against the European currency unit since the end of July, although it has fallen by about 4 per cent against the D-Mark. After two cuts in the official discount rate, the most recent by 0.5 points to 8.25 per cent on September 27, the financial markets are expecting further gradual reductions in short-term interest rates.

Mr Lykketoft said Denmark's opt out from the Maastricht treaty commitment to economic and monetary union had only limited relevance to the government's monetary policies.

The minister said: "This (the third stage of the move to Emu) lies a very long way ahead and so the question is without any interest."

The government's fiscal expansion is expected to produce some extra buoyancy in an economy which will show no growth this year and has only grown by ebont 1 per cent annually since 1986.

The government is planning e DKr12bn ($1.81bn) increase in spending power, equivalent to 1.2 per cent of GDP, in the 1994 budget, eccomplished by temporary rednctions in personal taxation and increases in budget spending, especially on infrastructure.

Mr Lykketoft does not see any incompatibility between the expansive fiscal policy and an easing of monetary policy and lower interest rates. He said that both the reduction in taxation - e consequence of e *big* reform of the tax system which will take effect in 1994 - and expenditure increases are temporary.

"There will be no further easing of fiscal policy after 1994," he said. "The fiscal expansion will make only a minor dent in the current balance of payments surplus, which will slip from about DKr27bn - 3.5 per cent of GDP - to about DKr23bn in 1994, he said.

The government expects a demand boost to increase the GDP growth rate to 2.9 per cent in *1994, with real private consumption rising by 4 per cent.* Virtually all non-government forecasters consider the government growth forecasts too optimistic. The right-wing opposition parties predict continued stagnation, leading to a new crisis next year caused by a rising budget deficit.

However, Mr Lykketoft, an economist by training, said be considers the the forecasts "fully realistic".

The tax concessions alone mean that real disposable household incomes will increase by 4-5 per cent next year.

Mr Lykketoft said that the fact that home-owners can extend mortgages from 20 years to 30 years will give the typical householder extra spending money of several thousand kroner a month next year, so his forecast was not "too optimistic".

New UN peacekeeping mandate angers Serbs

By Laura Silber in Belgrade

FIGHTING spread across former Yugoslevia yesterday, as Serb leaders accused the new six-month United Netions mandate for its forces in Bosnia, Croatia and Macedonia of destroying any cbance of peace. Mr Vladislav Jovanovic, the Yugoslav foreign minister, said the mandate gave the go-ahead to Zagreb to clamp down on Serb communities in Croatia.

"Singling out Yugoslavia is a roundabout way to enable Croatia to continue undermining the plan and its aggressive behaviour towards the UN protected areas," he told Tanjug, the Belgrade-based news agency.

In contrast, Croatia praised the Security Council decision. In vaguely worded terms, it threatens to link the lifting of sanctions on Serbia with ending the Serbo-Croat conflict in Croatia. Mr Mate Granic, Croatian foreign minister, said: "The republic of Croatia has all reasons to be satisfied with Resolution 871, its general tone and individual provisions."

However, the resolution fell short of Zagreb's demands to give more muscle to the 15,000 peacekeepers posted in Croatia. Mr Franjo Tudjman, the president of Croatia, is frustrated with the UN's failure to force Serb rebels to renounce their self-styled state, which covers about one-third of Croatian territory.

Mr Jovanovic later tried to downplay the blow dealt by the terms of the UN mandate as containing "only general references to the normalisation of the situation". The UN 17 months ago imposed sanctions on the rump Yugoslav state for the carve-up of Bosnia. International mediators have used the lure of easing sanctions to tempt Serb officials into handing over land seized during the war in Bosnia.

Irish opposition party leader decides to quit

By Tim Coone in Dublin

Victor Patterson

O'Malley: his party became an influential minority voice

MR Des O'Malley has resigned as leader of the opposition Progressive Democrat party in Ireland, to *"make way for new* blood". He said he was under no political or personal pressure to do so.

Mr O'Malley, 54, said he would stand for election one more time before quitting politics altogether. He did not say what his long-term plans were.

A long-time opponent of Mr Cherles Haughey within Fianna Fail, he split with the party leader in 1984, when Mr Haughey had him expelled for publicly differing with him on Northern Ireland, the contraception issue and internal party democracy.

He founded the Progressive Democrats (PDs) in 1985, presenting it as the party of high standards and open government. The party has since had an influential minority voice holding the balance of power, with six out of 166 Dail seats in the coalition government from 1989 to 1992.

It was Mr O'Malley's decision to withdraw his party's support from Fianna Fail in January 1992 which precipitated Mr Haughey's resignation and formation of a short-lived Fianna Fail-PD coalition under the leadership of Mr Albert Reynolds which ended with elections last year.

The PDs emerged with 10 Dail seats and Labour, with whom Fianna Fail formed a new coalition, doubling its representation to 33 seats.

NEWS: INTERNATIONAL

Rabin and Arafat to hold Cairo talks

Yitzhak Rabin: wants 'to dispel any illusions or misunderstandings' relating to autonomy deal

By David Horovitz in Jerusalem and Mark Nicholson in Cairo

BARELY thrae weeke after reluctantly shaking hands with Mr Yassir Arafat on the White House lawn, Mr Yitzhak Rabin, Israel's prime minister, is due in Cairo today to hold a first working meeting with the Palestine Liberation Organisation leader to discuss the logistics of the antonomy plan for the occupied territories.

At the hastily arranged meeting the two are expected to try to agree on a venue for lower-level talks next week on the autonomy details, as well as to discuss the escalating tension in the occupied territories since the joint declaration of principles on autonomy was signed in Washington on September 13.

PLO officials in Tunis said Mr Arafat would specifically broach the issues of Palestinian refugees, "removal of Jerusalem's isolation" from the peace process and "the end to daily repressive measures" in Gaza and the West Bank.

Mr Arafat, who flew into Cairo yesterday afternoon, is certain to reiterate his protests about the recently intensified Israeli army crackdown on violent Palestinian activists in the territories. In Gaza yesterday, Israeli undercover troops shot dead a gunman loyal to Mr Arafat's mainstream Fatah faction of the PLO. Witnesses said he had dropped his weapon and was stuck on a barbed wire fence when the soldiers opened fire.

Two other Palestinians were killed last weekend, several dozen have been arrested, and this has in turn triggered a number of attacks on Israeli targets, including the suicide bombing of an Israeli bus in the West Bank on Monday.

Mr Arafat wrote to complain to Mr Rabin at the weekend about the military operations and said on Monday in Algiers that Israel had offered to meet the PLO to "get the situation in hand". Mr Rabin is understood then to have suggested today's quickly-organised meeting in Cairo.

The PLO said it was hoped the Rabin-Arafat meeting, arranged at the Israeli prime minister's initiative, would mark "a new starting point for the negotiations, after the spirit of the peace accord was violated by the Israeli army's repressive measures".

Israeli officials said merely that Mr Rabin wanted to meet Mr Arafat in person "to dispel any illusions or misunderstandings" relating to the autonomy deal and "smooth the start" of next week's negotiations. Mr Rabin has repeatedly dismissed PLO charges the offensive against "wanted" Palestinians undermines the accord, arguing it is in the interests of both sides that violent opponents of the accord be subdued.

Egyptian President Hoeni Mubarak said in Cairo he would join the meeting and "if anything is needed, we are ready to help".

Today marks the 20th anniversary of the start of the 1973 Arab-Israeli war, the last conflict between Egypt and Israel before Mr Mubarak's predecessor, the late Mr Anwar Sadat, embarked on the path that led to the 1979 Israeli-Egyptian peace accord.

MUBARAK WINS 95% 'PLEDGE OF ALLEGIANCE'

PRESIDENT Hosni Mubarak won predictable backing to remain Egypt's head of state for a further six years in Monday's referendum, with official results yesterday showing 95 per cent of voters supported him, Mark Nicholson reports from Cairo.

Mr Hassan al-Alfi, interior minister, told reporters that 15.1m Egyptians voted for Mr Mubarak, who was the sole candidate, and just 583,467 against. The turnout was put at 84 per cent of 18.9m eligible voters. Mr Alfi said 226,020 ballots were spoiled, giving Mr Mubarak more than 96 per cent of valid votes cast.

Both the result and turnout are in line with figures given after the previous referendums which returned Mr Mubarak to his first two terms as Egypt's leader, a role he has held since replacing the assassinated Mr Anwar Sadat in 1981. The result of the October 1987 referendum was 97 per cent in favour, with an 88 per cent turnout.

While the referendum was, as one diplomat put it, "not so much an election as a chance to pledge allegiance", many journalists and diplomats who toured polling stations on Monday considered that official turnout figures strained credibility.

Several stations visited in and around Cairo were receiving barely a trickle of voters and, even allowing that many public sector employers bussed voters from work to the polling stations at the end of the day, it appeared in many places that a majority of locals had not voted at all.

Growth of Japan surplus slackens

By William Dawkins in Tokyo

JAPAN'S current account surplus expanded to $7.23bn (£4.77bn) in August, slightly less than the market had expected. This represented a slower growth of the surplus.

The August current account surplus is compared with $5.73bn in the equivalent month of 1992 and still puts Japan on track to exceed last year's surplus of $117.55bn, a big factor in strained trade relations with the US.

Tokyo economists are expected to reduce their consensus forecast for a $144bn surplus this year, in the light of the new figures.

"Import volumes are down, but export volumes are down a little more," said Mr James Vestal, chief economist at Barclays de Zoete Wedd Japan. He forecasts a $133bn surplus for the year.

In yen terms, imports fell by 10 per cent and exports by 13 per cent. The dollar trade surplus accordingly fell slightly, from $9.06bn in August 1992 to $8.97bn in August this year.

Imports can be expected to go on falling, on the evidence of the weakness of domestic demand highlighted by the latest statistics.

An Industrial Bank of Japan survey shows that companies plan to reduce investment on plant and equipment by 2.3 per cent this year, the second year of decline. Manufacturers, saddled with over-capacity built up during the buoyant growth of the end of the 1980s, will cut capital investment more heavily than service industries, said the bank's survey of 3,678 companies.

Leasing contracts concluded in August fell by an annualised 13 per cent, the 17th month of decline, the Japan Leasing Association announced yesterday. Machine tool ordere, another bellwether of the industrial economy, fell hy 19.9 per cent to Y40.6bn (£253m), the lowest since this series of records began 10 years ago, the Japan machine tool builders' industry association said.

Ozone hole is getting bigger

By Clive Cookson, Science Editor

THE Antarctic ozone hole is deeper than ever this year, scientists from the British Antarctic Survey reported yesterday. Two-thirds of the atmosphere's ozone layer, which protects the earth from harmful ultraviolet radiation, has been destroyed by man-made chemicals, mainly chlorofluorocarbons, over most of the Antarctic continent.

Mr Jonathan Shanklin, a meteorologist at BAS headquarters in Cambridge, said recent observations from Scott and Halley research stations confounded predictions there would be some improvement this year on last year's record ozone destruction.

"This demonstrates once again how little we know about the atmosphere," Mr Shanklin said. "But it also shows how important it is to stop putting CFCs and other chlorine-containing chemicals into the atmosphere."

CFC production is due to stop in industrialised countries by the end of 1994 but their concentration in the atmosphere may not fall until early next century.

The hole has been a seasonal phenomenon since the late 1970s, appearing early in the spring as the sun's rays first strike the cocktail of ozone-destroying chemicals built np over the pole during the long Antarctic winter. It is deepest in October, then breaks up.

The hole is not yet affecting any populated regions, but is likely to increase ultraviolet radiation temporarily over southern Chile and Argentina over the next two months.

A similar but shallower seasonal hole has begun to form over the northern hemisphere. A record 20 per cent of Arctic ozone was lost this year. The main effect of ozone loss on human health is to increase cancer risk through ultraviolet exposure.

Bhutto and Sharif shown as neck and neck in polls

By Stefan Wagstyl and Farhan Bokhari in Islamabad

PAKISTAN goes to the polls today with opinion surveys showing the two main contenders in the general election running almost neck and neck.

Ms Benazir Bhutto, the former prime minister, was judged by many observers to be slightly abead of Mr Mohammed Nawaz Sharif, a sneccessor in office who resigned this summer after months of political turmoil.

But, given the rudimentary state of opinion polling in Pakistan, few independent forecasters predicted the results with any certainty.

Mr Farhad Zaidi, editor of the Moslem daily newspaper, said yesterday that Ms Bhutto's Pakistan People'e party (PPP) would "probably" win Punjab province, the richest and most populous of Pakistan's four provinces and so would "probably" win overall.

The general election is being held after Mr Sharif was persuaded by army generals to resign in July after a power struggle with President Ghulam Ishaq Khan, who also quit. Mr Sharif's mishandling of relations with the army and the president cost him much support and created an opportunity for the PPP.

Both main parties will have to contend with the Pakistan Islamic Front, an alliance of Islamic parties, the performance of which will indicate the extent of support for Islamic fundamentalism.

This is the third general election since the death of General Mohammed Zia ul-Haq, the military dictator, in 1988. The speed with which the army and the bureaucracy ended the last two governments – Ms Bhutto's in 1990 and Mr Sharif'e this year – has caused widespread disillusion with electoral politics. One opinion poll has shown that Mr Moeen Qureshi, the interim prime minister who has announced radical economic reforms, has an 85 per cent support rating – more than Ms Bhutto and Mr Nawaz Sharif combined.

Hindu leaders face mosque charges

By Shiraz Sidhva in New Delhi

INDIA'S Central Bureau of Investigation yesterday filed charges against leaders of the Hindu Bharatiya Janata party (BJP), accusing them of instigating the destruction of the mosque at Ayodhya last December.

The charges against Mr Lal Krishna Advani, BJP leader, and nearly 40 others were filed in a special magistrate'e court at Lucknow, Uttar Pradesh, where Ayodhya is located. They come just weeks before regional elections are held in four Indian states. The elected BJP governments of these states – Uttar Pradesh, Madhya Pradesh, Rajasthan, and Himachal Pradesh – were dismissed in the aftermath of the Ayodhya incident, when nearly 2,000 people lost their lives in religious riots across the country.

The bureau said yesterday the Hindu party leaders had been charged with offences including criminal conspiracy, intentional deetruction and defiling of a place of worship, criminal trespass, and intimidation of public servants. The defendants "participated in this conspiracy, or were instrumental... in this conspiracy which resulted in the demolition of the disputed structure".

The BJP said the charges were "a desperate move by a desperate government to stall the BJP's growing popularity".

N-deadline likely for Korea talks

By John Burton in Seoul

NORTH and South Korea yesterday held their first consultations since January as Pyongyang faced a possible mid-October deadline to resolve the issue of nuclear inspections.

North Korea proposed the meeting after the International Atomic Energy Agency (IAEA) last week declared Pyongyang was violating the nuclear non-proliferation treaty by not allowing inspections of nuclear facilities.

Mr Han Sung-joo, the South Korean foreign minister, has suggested that North Korea has only about two weeks to achieve progress in nuclear inspection talks with the IAEA and South Korea before the issue is transferred to the UN Security Council, which could impose economic sanctions.

But North Korea refused to make concessions at yesterday's meeting at the truce village of Panmunjom, which was called to discuss the exchange of presidential special envoys.

Pyongyang demanded that South Korea halt joint military exercises with the US and stop seeking international support in dealing with the North Korean nuclear issue before the meeting of presidential envoys took place.

Seoul has rejected those conditions unless Pyongyang first agrees to allow full nnclear inspections by both the IAEA and South Korea. South Korea also proposed the presidential representatives should first discuss the nnclear issna before other bilateral matters are negotiated.

Banda 'making good progress'

MALAWIAN President Kamuzu Banda was making good progress in a Johannesburg hospital yesterday after an operation to remove excess fluid from the brain, a hospital spokesman said, Reuter reports from Johannesburg.

Dr Banda, believed by diplomats to be in his 90s, was flown to Johannesburg from Malawi on Saturday and underwent surgery on Sunday. "The operation was performed in order to remove excess fluid from the brain. His physical condition is satisfactory and a good prognosis is expected," the spokesman said.

Individual Australian states 'might retain the monarch if they wished'

Cutting ties could take beyond 2001

By Nikki Tait in Canberra

WANTED: an eminent Australian, aged 35-plus, with no political predilections and a clear diary after the year 2000.

The committee advising Australia's federal government on how to go about replacing the British monarch with an Australian head of state yesterday concluded the change could be effected with little alteration to the country's constitution.

The Queen and her governor-general – whose job is to represent the British monarch as head of state in Australia – could be replaced by an apolitical Australian figurehead.

But the Republic Advisory Committee also acknowledged that it "would be legally possible" for the constitution to permit individual Australian states to retain the British monarch as their head of government, should they wish. It suggested state powers be clarified in this regard, depending on whether or not such a possibility was thought desirable.

Mr Malcolm Turnbull, the lawyer-cum-merchant banker who chaired the Republic Advisory Committee, later admitted cutting Australia's constitutional ties to Britain could be a long process, involving several referenda.

"Will we be a republic in 2001? That is going to require a lot of work," he told the National Press Club in Canberra. "It's not something that is going to fall into the republicans' lap like an overripe fruit."

The Turnbull committee was not asked to consider the merits of republicanism – merely to look at the legal and constitutional implications of ousting the existing system.

This dampened opposition to the report itself, although the government's critics fired a few salvoes regardless. "The real question is not how we achieve change bnt whether such change is either warranted or desirable," snapped Mr John Hewson, opposition leader.

Australian prime minister Paul Keating (right) greets Malcolm Turnbull, Republican Committee chairman, yesterday *Associated Press*

What the committee did consider, briefly, was whether a head of state was necessary – no minor question, since the annual cost is put at about A$11m (£4.7m). It concluded that for "symbolic" reasons, as well as for the convenience of having someone to perform ceremonial duties, strong advantages attached to retaining one.

"Parliament can provide for as lavish, or as spartan, a lifestyle for the (head of state) as it wishes," added the report. From this premise, the committee went on to enumerate potential qualifications for the job, duties involved, and who should elect – and if necessary – dismiss the head of state. There were few firm conclusions, but a long list of the options available.

The committee, however, spent some time debating what powers an Australian head of state should have if the Senate refused to support a government money bill. This happened in 1975, prompting the governor-general to exercise his powers to dismiss the prime minister, and an election was duly called. The possibility of a repeat scenario has been mooted recently, because the government's budget has been stalled in the Senate for almost two months, but few observers think this a likely outcome.

Tempers flared in Canberra yesterday, where the government is still struggling to get its budget proposals, first unveiled in mid-August, through the Senate. Mr Paul Keating, the prime minister, cut question time ehort and left the chamber, after the opposition heckled Mr Ralph Willis, finance minister.

The Turnbull committee decided there were several possibilities: to continue existing conventions; give the new "head of state" formal powers of dismissal if the government breached the constitution (by spending money it was not authorised to raise); to provide in the constitution for an automatic dissolntion of both houses of parliament in this situation, or remove the senate'e power to reject or delay money bills. Tactfully, the committee gave no hint of its preferred answer.

● Union leaders in Canberra yesterday reached agreement with the government on an industrial relations reform package, which could significantly extend devolved wage-fixing, or "enterprise bargaining". The two sides seemed yesterday to have reached a compromise on the issue of non-union employees entering enterprise agreements.

Premier attacked over war apology

By William Dawkins

PREMIER Morihiro Hosokawa of Japan yesterday came under fire in parliament for extending his recent apologies for Japan's war record to include allied as well as Asian victims.

Mr Shintaro Ishihara, a staunch nationalist in the opposition Liberal Democratic party, told the lower house: "Japan does feel guilty for what it did in Asian countries, but there is no need for us to apologise to the allied countries thet won the war, like Britain, the US, Holland and France."

Mr Hosokawa has aroused the anger of traditionalists in the LDP by facing Japan's wartime responsibilities more explicitly than any prime minister. Most, but not all, his supporters in the seven-party coalition see this as essential to Japan'e attempts to take a more prominent part in international diplomacy.

Bnt Mr Hosokawa'e apologies for Japan's wartime aggression, first voiced soon after he became prime minister in early August, have prompted protests both from the opposition and inside his own coalition. "There were many people from the allied countries in Asia during the war and they endured great pain. It is natural that they too be included," Mr Hosokawa argued yesterday.

Mr Ishihara's attack is significant because he is a popular symbol of nationalist sentiment, as author of a best-seller, The Japan That Can Say No.

In an emotional speech, Mr Ishihara declared: "Japan also suffered in the war. Many were killed in the atomic bombing but we've not heard one word of apology... You hava erred in your war remarks and I demand that you admit it." Mr Hosokawa countered that he was fully aware of Japan's wartime sufferings.

Other LDP members of parliament alleged Mr Hosokawa's apologies had triggered compensation claims from former British prisoners of war, and from Asian women forced into wartime prostitution. The government's response is that compensation was legally settled in the post-war San Francisco peace treaty.

Fall in NZ budget deficit forecast

By Terry Hall in Wellington

MS RUTH Richardson, New Zealand finance minister, yesterday forecast a sharp reduction in the budget deficit to NZ$1.44bn (£522m) in the year to June 30, down from the NZ$2.28bn she predicted in her August budget.

Ms Richardson made the forecast – and a series of others which she said proved that the aconomy was improving – in the so-called "opening of the books exercise". This detailed mini-budget statement was issued a a month before the November 6 general election.

Since it was elected three years ago the pro-business National party government has consistently claimed that the previous Labour government deliberately kapt secret the parlous state of the finances of the then state-owned Bank of New Zealand.

In the last budget Ms Richardson said she would legislate to ensure every government would issue an "honest" statement on the economic health of the country.

However the legislative timetable prevented the law being passed, and opposition parties say the exercise has been turned into a political ona staged to gain votes. Dr Michael Cullen, Labour finance spokesman, had predicted the budget deficit announced yesterday would be below that announced on budget night.

Ms Richardson said the improved fiscal outlook since the budget arose from higher than expected tax raceipts since June, sharp falls in local and international interest rates and a rise in the exchange rate. "These factors contribute to a substantial reduction in dabt servicing payments," she said.

She added that there had also been a sharp fall in social welfare payments due to a lower number of unemployed.

The economy was expected to grow by 2.9 per cent in 1993-94 and up to 3.5 per cent in 1995-96, Ms Richardson said. The budget deficit would steadily shrink over the coming years, and would be almost eradicated in three years' time with a deficit of just NZ$54m.

Tax income had picked up sharply since the budget, and government spending as a percentage of gross domestic product would fall from 37.9 per cent this year to 34.6 per cent in 1995-96.

Net public debt as a percentage of GDP would fall from 47.9 per cent in 1992-93 to 44.6 per cent in 1995-96.

Ms Richardson said business investment was projected to grow by 12 per cent this year. There was also high levels of consumer confidence and spending and some lift in house prices was expected.

Inflation would remain within the range of nil to 2 per cent.

US industry groups optimistic about multilateral agreement

Steel producers in sight of pact

By Nancy Dunne in Washington

REPRESENTATIVES of steel-producing countries, meeting this week in Geneva, seem finally on the road to agreement on the multilateral steel agreement which has eluded them in almost four years of negotiations.

"The ultimate deal is still at least a month away," said one observer close to the US negotiators. "But that is to be expected. They are changing the way governments intervene in steel production." It is a complex task.

US producers of specialty steel are anxious for a deal. Mr Skip Hartquist, one of their lawyers, said: "The elements are there to reach an agreement. However, I'm still sceptical that the Europeans really want a deal."

The optimism by US industry groups stems in part from the seriousness with which Washington is addressing the MSA talks. A flurry of meetings last week made clear that the Clinton administration will not tie the fortunes of the MSA – or indeed the Uruguay Round – to the whims of the big integrated steel companies.

Last Tuesday a delegation of steel-using manufacturers met Mr Mickey Kantor, the US trade representative, and later in the day they went to the White House to see Mr W. Bowman Cutter of the National Economic Council.

The users stated their opposition to a steel import monitoring programme requested by the big steel companies. Mr Jon Jenson, for the users' group, said monitoring was unnecessary: steel demand and prices were firm, imports stable, and capacity utilisation high.

He warned that such a scheme would "bully our trading partners into limiting shipments and raising prices of steel needed by US manufacturers to produce world competitive prices". Furthermore, it would cripple the administration's efforts to negotiate an MSA.

The steel users also expressed concern over the request by the big US producers that the administration quickly replace Mrs Anne Brunsdale, an outgoing International Trade Commissioner, with a steel industry advocate. The users, however, urged against politicisation of the ITC seat which "would undermine the integrity of US trade law".

Later, top executives from LTV, USX and Bethlehem Steel – prominent among the "Big Steel" producers – met Mr Ron Brown, the US commerce secretary, and Mr Kantor. They were joined, at the administration's invitation, by Mr Kenneth Iversoo, chairman of Nucor Corporation, the country's largest minimill producer and an aggressive free trader.

Mr Iverson's presence signalled the administration's determination to listen to viewpoints other than those of the integrated producers, and in the end the officials rejected the monitoring programme and said no decision had yet been made about Mrs Brunsdale's successor.

Before the MSA talks broke off in March 1992 the negotiators had whittled the number of permissible steel aids to four: environmental, research and development, plant closing and worker retraining.

US steel companies, however, refused to give up the protection they could glean from the US anti-dumping regime. In fact, they would not even agree to consultations on trade cases before they were filed.

Although Big Steel was perfectly prepared to do without an MSA and seek protection under US trade laws, there were numerous US parties more willing to compromise to get an MSA, including the two largest minimill producers.

Attacks stepped up on Taiwan-BAe jet venture

By Daniel Green

OPPOSITION politicians in Taiwan yesterday renewed their attacks on a proposed joint venture with British Aerospace to build Regional Jet aircraft. They accused the UK company of not guaranteeing technology transfer for the development of a new model, the RJX.

The deal is part of BAe's strategy to improve profitability – the RJ series of aircraft, which would be built partly in Taiwan, loses money for the company.

Taiwan's ruling politicians want the deal to go ahead to provide a route into the civil aviation market for the country's ambitious engineering companies.

The latest attack will be the backdrop to a new round of talks between BAe and Taiwan next week.

These are aimed at finalising the arrangements for the transfer to Taiwan of technology and development expertise, and outstanding legal issues.

But opposition politicians and bank lenders have attacked the joint venture, called Avro, as politically rather than commercially inspired.

The banks' concerns were largely allayed in August after a series of meetings between Mr John Cahill, BAe's chairman, and Taiwanese officials resulted in an agreed financial structure for the company.

Mr Denny Ko, TAC's president and the man who signed the original agreement with BAe in January, left the company last week. The US-educated Mr Ko was seen as more sympathetic to western companies than the company's president, Mr Earle Ho.

UK-Peruvian accord marks investment drive

By Stephen Fidler, Latin America Editor

PERU and Britain signed this week a mutual investment protection and promotion agreement. The accord was signed in London by the Peruvian foreign minister, Mr Efrain Goldenberg, who is leading a business delegation from Lima to Europe.

The agreement is part of an effort by the government of President Alberto Fujimori to open the country to foreign investment. The aim is also to stimulate foreign interest in a sweeping Peruvian privatisation programme and to persuade foreign companies to look again at the country following gains by the government against terrorists.

The group, which includes legislators, businessmen, government officials and stock exchange representatives, moves on today to France and then to Germany. Members of the group said there was a growing international interest in the stock exchange – the capitalisation of which has doubled this year – and in direct investment, particularly in mining.

Companies from neighbouring Chile are among those looking at the privatisation of the country's electricity utilities. The proposed privatisations also include state mining assets and the telephone company.

Mr Fujimori said last week the leader of the guerrilla group Sendero Luminoso, Abimael Guzmán, had requested a peace accord with the government. However, despite this, bombings by Sendero have over the last week blacked out some areas of the capital.

Norway seeks US go-ahead for whaling

By Hugh Carnegy in Stockholm

NORWAY said yesterday it would seek US agreement for a limited resumption of commercial whaling, after a decision by President Bill Clinton to delay imposing trade sanctions against Oslo for breaking an international ban on auch whaling.

The president said on Mondey that Norway's resumption this year of commercial hunting of Minke whales, defying a 1985 International Whaling Commission moratorium, merited sanctions under US law.

However, Mr Clinton told Congress that US objectives would be best achieved by delaying such a move "until we have exhausted all good-faith efforts to convince Norway to follow agreed conservation measures". Mrs Gro Harlem Brundtland, Norwegian prime minister, responded by saying that Norway would set no commercial quotas for its whalers for next year until after the next meeting of the IWC in Mexico next May.


Brundtland: no quotas yet

Even so, officials in Oiso made clear that Norway would try to persuade the US at the IWC meeting to support a resumption of limited commercial whale catches. "That is definitely our purpose," a Foreign Ministry official said.


Holst: lobbied hard

Norway decided to defy the IWC moratorium earlier this year after the commission had voted to keep it in place, despite a recommendation by its scientific committee for a limited harvesting of the Minke whale. For the 1993 season, Oslo allowed its whalers a commercial quota of 160 Minke, of which 156 were caught.

Mrs Brundtland and Mr Johan Joergan Holst, foreign minister, have lobbied bard in Washington to avold sanctions. Their efforts seem to have been helped by the goodwill which Norway has amassed through its mediation which led to the Israeli-Palestinian peace agreemeot last month.

Norway, with annual exports to the US worth about \$2bn (£1.32bn), had feared retaliation against its fish exports, worth some \$70m. Its salmon exports to the US are subject to anti-dumping duties.


Clinton: "good faith"

China power station deal for Gibson

By Andrew Baxter

GIBSON GROUP, the Glasgow-based power-plant contractor, has reached preliminary agreement to supply a 120MW power station to Liaoning province in China.

Final negotiations will start in the next few weeks on the contract, wbich would be worth about £65m.

The group's main contracting company, Gibson Wells Engineering, has been working on the project for the past three years.

The company is also discussing further contracts in China for power stations ranging from 100MW to 700MW. It said it expected to reach agreement soon with "a substantial US company" which was looking to invest in power projects in China.

Hungary sets up investment promotion agency

By Nicholas Denton in Budapest

HUNGARY yesterday set up eastern Europe's first independent investment promotion agency, marking a new maturity of the region's solicitation of international investors.

In 1990 western bnsiness interest in the former communist countries of the region was feverish and the new democratic governments could afford to wait for approaches. But recession in eastern and western Europe has inhibited capital flows and sharpened competition for investment.

Hungary has attracted more than \$5.5bn (£3.64bn) of foreign direct investment since 1989, and claims this represents more than half the total put into east Europe.

However, foreign investment in Hungary peaked in 1991 at \$1.7bn and is forecast to slow to \$1.5bn this year.

"The beautiful days are over and we have to struggle with a new and more difficult environment," said Mr Bela Kadar, Hungarian minister for international economic relations.

Yesterday, ITD Hungary, an investment and trade development agency modelled partly on those of Scotland and Ireland, was founded. ITD Hungary said it would take a "targeted and proactive" approach. "We have learned that new and more sophisticated methods are required to attract quality, greenfield investment."

ITD aims to provide a one-stop shop for western investors, who have had to deal directly with overlapping branches of government. The new agency also plans to focus on drawing western investors into the motor components, food processing and tourism sectors.

Hungary puts particular emphasis on motor components because of the country's strong combination of developed skills and wages that are low compared with western levels.

Until the latest initiatives, the main device to promote foreign investment has been the tax incentive. Hungary granted tax holidays for five years to joint ventures in preferred sectors.

But the current law is to expire at year-end. Also, complaints about discrimination against domestic investors and Finance Ministry concerns at the mortgaging of future tax revenue have induced a change in regulations.

The latest draft proposes tax relief for reinvested dividends and for companies in high-technology sectors, but on a largely discretionary basis.

Whatever the outcome, Hungary's investment regime will remain more generous than those in Poland and the Czech Republic, which have phased out almost all tax advantages for foreign investors.

Governor's signature to light end of tunnel for Barclays

Californian tax row near resolution

By George Graham in Washington

GOVERNOR Pete Wilson of California today will sign into law a bill to change the state's controversial unitary system of taxation.

The new law, whicb addresses most of the complaints by foreign companies and governments at the unitary syatem, sounds the bell for the last round in a decade-old legal fight between California and Barclays Bank of the UK, which has challenged the constitutionality of the state's tax system.

As soon as Mr Wilson has signed the hill, the US solicitor-general is expected to file a brief with the US Supreme Court arguing that the new legialation renders the Barclays complaint moot, and so the court should leave in place a decision hy California's supreme court in favour of the state.

Barclays and the UK government will respond with briefs by the end of next week, then the Supreme Court would be expected to announce whether it will hear the case or dismiss it outright on November 1.

At stake is some $533m (£353m) of tax refunds California would owe Barclays and other foreign-owned companies if it lost the case, as well as an estimated $354m the state believes it would be able to assess in taxation if it won.

Besides, the state could have another $3.1bn at risk if any Supreme Court condamnation of unitary taxation wera extended to US-owned companies.

The Clinton administration has been buffeted between its promise to back California in the lawsuit and pressure from US businesses and foreign governments, particularly the UK, to uphold the principles of the international taxation system which are seen to be challenged by unitary taxation.

California's new legislation might diminish the likelihood that the Supreme Court will decide to hear the Barclays case, but tbe principal factor prompting that legislation – the UK's threat to retaliate against US companies – reinforces the Barclays arguments about the unconstitutionality of unitary taxation.

All in all, lawyers on both sides believe the chances that the Supreme Court will take the case are less than even.

One piquant element in the affair is the understanding that the principal author of the brief from the solicitor-general's office is Mr Kent Jones, who just a year ago wrote the Bush administration's brief against California.

Campbell TV debates fail to impress voters

Canada's Liberals need to take support from Quebec separatist parties to form a majority government after the election, reports **Bernard Simon**

MS Kim Campbell, Canada's prime minister, was yesterday struggling to regain her footing after a lacklustre performance in two televised debates before the October 25 general election.

With less than three weeks to go to election day, the question uppermost in commentators' minds is now wbether the opposition Liberal party will garner enougb votes to form a majority government.

Recent opinion polls show the Tories slipping steadily behind the Liberals, but also show strong support for two regional parties, the Bloc Québecois in Quebec and the populist Reform party, wbose main strength in western Canada.

The televised debates, one in English and the other in French, were widely seen ss one of the last opportunities for the Conservatives to make an impression on voters.

But the inexperienced Ms Campbell was thrown on the defensive several times by her opponents, notably by Mr Lucien Bouchard, leader of the separatist Bloc Québecols, whicb has siphoned off a large cbunk of Conservative support in Quebec.

Quebec newspapers yesterday gave wide prominence to Ms Campbell's remark immediately after Monday nigbt's debate that "only Quebeckers will swallow" Mr Bouchard's budget deficit projections.

Callers to radio phone-in shows also appeared unconvinced by Ms Campbell's promise to eliminate the C$35.5bn (£17.4bn) budget deficit in five years without raising taxes or cutting costly social-security programmes.

Tbe Bloc Québecois is far ahead of the other two parties in the francophone province, with a chance of winning 40 or more of Quebec's 75 seats in the House of Commons.

The BQ's support comes partly from a hard core of Quebec separatists. But the group's promise to put Quebec's interests first has also attracted voters whose primary concerns are high unemployment and slipping living standards.

But Mr Jean Chrétien, the Liberals' leader, used the debates to make o forceful plea to his fellow Quebeckers not to heed the BQ's promises. "Canada has enabled the francophone community to survive in North America," Mr Chrétien said.

The Liberals' ability to form a majority government will depend heavily on their success in drawing support away from the BQ in Quebec over the next two weeks.

Lacklustre performance: Chrétien (left) and Campbell during their second election debate on television Reuter

Drug sentence agreed

COLOMBIAN prosecutors yesterday announced that they bad agreed an 8½-year jail sentence for Mr Fabio Ochoa Vásqnez, a leader of the Medellín cocaine cartel, Reuter reports from Bogotá.

He had snrrendered to authorities nnder a plea-bargaining arrangement.

The prosecntor-general's office yesterday said the deal had been agreed on Monday night after weeks of negotiations with lawyers for Mr Ochoa. He was accused of drug trafficking, illicit enrichment and illegal use of airstrips.

Mr Ocboa also agreed to hand over properties and land wortb $2m (£1.32m) to tbe state and pay the maximum fine stipulated for his crimes, the equivalent of $10,400.

Prosecutors had asked for a 20-year sentence for Mr Ochoa.

Elderly cheer Clinton health reforms

By George Graham in Washington

PRESIDENT Bill Clinton won applause yesterday for his healthcare reform plan from one of the US's most potent lobbying groups: the elderly.

Mr Clinton was repeatedly cheered as he promised a meeting of the American Association of Retired Persons in Culver City, California, that his proposed reforms would preserve and make better the existing Medicare system under which the government provides health coverage to the elderly.

"There's one thing I want to say over and over again to the AARP membership of this nation, and that is that our plan maintains the Medicare programme," Mr Clinton said.

The president also won warm applause for two elements of the plan which have been crucial in winning the support of the AARP: the inclusion of the cost of prescription drugs in Medicare coverage, and an expansion of coverage for long-term care.

The long-term care benefit, which is intended to allow elderly people to receive nursing care at home, would be phased in between the years 1996 and 2000, Mr Clinton said.

"We're not going to be able to do all of this at once. We have to work in the system and make sure we have the funding before we undertake programmes we can't pay for," he cautioned.

Argentina makes a vice out of a necessity

John Barham on the role of the plain envelope where government officials earn too little to live on

EVERY month Argentina's cabinet office sends out plain envelopes containing the equivalent of $3,000-$4,000 in cash to 200-300 senior political officials, in most cases tripling their salaries.

It is one of Argentina's worst kept secrets that most of the income of senior government officials comes in the form of these illegal cash payments and that they evade taxes. It does little to credit the government's claim to be cleaning up the bureaucratic machine.

Few officials can get by on tbeir meagre salaries: President Carlos Menem himself earns the equivalent of only $2,400 a month. A minister gets $2,100 and officials at junior ministerial level between $1,600 and $1,800. Nearly all top political appointees therefore rely on additional payments known as the *sobresueldo*, the extra salary.

It may be illegal, but tbe *sobresueldo* long ago became an established part of public life and shows little sign of disappearing.

Although Mr Menem has raised civil servants' pay, he has repeatedly put off raising the salaries of their political masters, thus perpetuating the *sobresueldo* system. He is apparently worried ahont adverse public reaction to a hig "increase" in salaries.

He is probably right: last year the media reacted in fury wben economy minister Domingo Cavallo admitted that he received the equivalent of $8,000 a month after tax from Fundación Mediterránea, a business-funded economic research foundation he led before entering politics. It also pays smaller amounts to nearly all his aides, most of whom entered government straight from the foundation.

Mr Cavallo said he could not afford to live on less than $10,000 a month in Buenos Aires. By contrast, private sector wages average $700 a month – barely enough to survive in one of the world's most expensive cities.

Spurred on by an outraged media, prosecutors charged Mr Cavallo with receiving illegal gifts. But a judge rejected the accusation after Mr Cavallo argued that he and his team were on secondment to the government.

The extra salaries are paid out of the president's $196.5m a year of "reserved funds", whicb are disbursed without any outside control. Furthermore, income tax is not levied on the payments.

Some officials are unhappy about the parallel wage structure, not only because sobresueldos are illegal, but because they contradict Mr Menem's claim to be promoting clean government.

They are also uncomfortable about earning "less" than their civil service subordinates. Senior civil servants earn $3,000-$5,000 a month, although some of them also get *sobresueldos*. Some officials continue to receive their plain envelopes even after leaving government.

The practice is also widespread in Congress, where each party is assigned "reserved funds" which they are free to spend as they please. Congressional staff are paid only $1,500 a month, a legislator $5,000. Here again, *sobresueldos* are paid, tax-free, to aides and staffers.

The government even pays them to journalists. Reporters get casb handouts, roughly equivalent to their salaries, from the press offices of the ministries they cover regularly. Mr Cavallo's aides suspect one reason for the generally hostile press coverage was his order to ban these payments in the economy ministry when he took office in 1991.

Companies habitually pay journalists for publishing favourable articles and some reporters even receive large regular retainers. Companies also pay politicians and civil servants. Sometimes they do so openly. In 1991, 73 local and multinational companies provided $300,000 to help modernise the civil service by hiring trained professionals.

And some non-casb corporate "contributions" are relatively innocuous. For instance, Mr Martin Redrado, head of the CNV securities watchdog, openly admits that it was the stock exchange that redecorated his new offices.

Most people receiving *sobresueldos* consider them more a necessary perk than a bribe. Inevitably, though, the tradition opens the door to more serious forms of corruption. Officials "borrow" luxurious cars or apartments from friendly businessmen. Companies consider it natural to make political contributions to tax-exempt foundations set up by politicians as cash conduits.

This "black money" is an important weapon in every politician's arsenal. It is used to reward close aides, buy journalists and media barons, pay supporters and fund election campaigns.

Although Mr Cavallo's deregulation and privatisation policies bave significantly curbed corruption, company executives still say bureaucrats and members of Congress expect inducements to take – or not to take – decisions affecting their companies. For instance, a trade association of mnltinational companies recently rejected an approach by a congressional official with an "offer" to approve an intellectual property bill atalled in Congress.

SENIOR MINISTER CALLS FOR IMPEACHMENT OF JUDGES

THE Argentine economy minister, Mr Domingo Cavallo, is to call for the impeacbment in Congress of two Supreme Court jndges, who bave accused their colleagues of baving snppressed a politically sensitive judgment, writes John Barham from Buenos Aires.

Howevar, Justice Angusto Belluscio, one of the two jndges involved, plans to sue Mr Cavallo – wbo last week accused him of corruption – for slander.

The justice has called on four of his eight colleagues to resign so as to restore the Supreme Court's political independence.

A jndge at a lower level has begun to investigate the allegations by Justice Belluscio that first gave rise to the mud-slinging, namely that he and his supreme court colleague, Justice Enrique Petracchi, claimed that pro-government colleagnes bad attempted to snppress a judgment whicb could bave cost tbe central bank anywbere between $12m (£7.95m) and $2bn.

Mr Cavallo then claimed tbat the two jndges bad tried to use the scandal to damage the government in the approach to congressional elections last Sunday, when the ruling Peronist party achieved considerable gains.

The fracas underlines the fragility of Argentina's legal system.

Mr Máximo Bomcbil, a leading Buenos Aires lawyer, said yesterday: "There is a crisis of justice in Argentina which we have never seen before. This deterioration is reflected in the Supreme Court."

Resignation puts spotlight on Mexican media

By Damian Fraser in Mexico City

THE limits to Mexico's new democratic reforms have been underlined by the resignation of a leading independent radio commentator, wbo says be was told not to interview prominent members of the leftist opposition party.

Mr Miguel Angel Granados Chapa, one of Mexico's best-known political commentators, said the Interior Ministry put pressure on the radio station, Radio Mil, to block his interviews witb opposition figures, and implicitly threatened to withdraw one of its radio licences if it refused.

Both the ministry and the radio station deny there was any political pressure to censor Mr Granados Cbapa. However, the allegations have fuelled concerns that the government will put pressure on the media to ignore Mr Cuauhtémoc Cárdenas, the candidate of the leftist Party of Democratic Revolution, in the run-up to next August's president election.

Opposition leaders in Mexico are only occasionally interviewed on radio, and hardly at all on pro-government television. While there is a growing number of independent newspapers, many are subsidised by government hand-outs and advertisements that appear as articles, and as such are subject to political interfereoce.

The recently passed political reforms give opposition parties the right to buy television advertisements, and set limits on campaign contributions, but do not address government or media self-censorship.

On September 20 Mr Granados Chapa broadcast an interview with Mr Cárdenas. Immediately afterwards the owners of the radio station asked that subsequent interviews be cleared with them, Mr Granados Chapa said. Tbe radio commentator resigned rather tban accede to the request.

Mr Granados Chapa said the owners had been pressured into issuing the instructions by the interior Ministry.

Mr Patrocinio González Garrido, interior minister, said no pressure was put on Radio Mil to block interviews with the opposition, and insisted that radio and other media were free to interview anyone.

NEWS: UK

John Major at Blackpool: Lady Thatcher's friends denied that her memoirs describe him as "intellectually lightweight"

Thatcher memoirs overshadow first day of party conference

Fresh cracks seen in Tory unity

By Philip Stephens, Political Editor

FRESH CRACKS appeared last night in the Conservative party's effort to underpin Mr John Major's leadership, after the disclosure of fresh criticism of the prime minister by Lady Thatcher, the former premier.

Despite a subsequent damage-limitation exercise, the first day of the party's Blackpool conference was overshadowed by the leak of excerpts from Lady Thatcher's forthcoming memoirs, revealing her less-than-flattering opinion of Mr Major.

The furore surrounding the leak of the material, published in the Daily Mirror newspaper, forced a public statement last night from Lady Thatcher, in which sha recalled that sha had backed Mr Major for the leadership when she resigned in November 1990.

The Sunday Times, which has bought tha serialisation rights to the memoirs, The Downing Street Years, last night failed in an attempt to get a High Court injunction to prevent the Daily Mirror from publishing further parts of the book.

Mrs Thatcher's statement said she wanted to confirm that she continued to support Mr Major as leader of the party and as prime minister. Her friends flatly denied reports that she had referred in the book to her successor as "intellectually lightweight", "politically naive" or "small-minded".

Beyond those phrases, there was little sensational in the leaked material. But the memoirs are understood to reflect Lsdy Thatcher's view – expressed frequently to confidantes – thet Mr Major has failed to display firm leadership.

One senior Conservative who has seen a manuscript of the memoirs described the Mirror story as "exaggerated but broadly accurate".

Lady Thatcher had deliberately delayed tha formal serialisation of extracts from her memoirs until next week to avoid accusations thst she wanted to upstage Mr Major.

However, the row destabilised attempts by the party leadership to create a public display of unity at what is seen as a critical week in Mr Major's efforts to restore his political authority.

With Lady Thatcher due to arrive in Blackpool later today and appear alongside Mr Major on Thursday, senior ministers maintained a public display of indifference to her alleged criticisms.

Sir Norman Fowler, party chairman, led a chorus of calls from the conference platform for the party to bury the divisions of the past year. But privately there was intense anger at Lady Thatcher's continued refusal to fully support her successor.

The anxious mood of the conference was reinforced by a fresh warning from Lord Tebbit, a leading Euro-sceptic, that continuing support for Mr Major from the rightwing of the Tory party would depend upon him sticking to an aggressively anti-federalist approach to Europe.

In a speech designed to prevent a renewed outbreak of the party's civil war over Europe, Mr Douglas Hurd, foreign secretary, said the party had the opportunity to unite behind a policy which would defend Britain's identity in Europe.

But the tensions below the surface were underlined hy Lord Tebbit's deliberately faint praise for Mr Major and by a separate warning from party's pro-European wing that they would not tolerate concessions to the sceptics.

Conservatives close to accord on Europe

By Alison Smith and David Owen

THE CONSERVATIVES edged towards unity on Europe yesterday, as Mr Douglas Hurd, foreign secretary, spelt out the common ground within the party, and Lord Tebbit, a former Tory chairman, welcomed the government's recent shift towards a more Euro-sceptic position.

Mr Hurd told the conference that the tide of European opinion had turned, and that the EC's future work would be directed towards the agenda put forward by the UK government: a wider, more competitive Community, based on free trade and co-operation.

Speaking after a debate that was curiously tame, given the passions Europe has aroused over the past year, Mr Hurd underlined the importance of winning more Conservative seats in the European elections next June.

Most people, he said, looked to the Conservatives to fight for Britain's interest in Europe.

While paying tribute to the European vision of the 1950s, and expressing understanding that in the aftermath of the two world wars a strong role for the nation states was not seen as inevitable, Mr Hurd was clear that the aim of preventing another western European war did not mean centralised decision-making in Brussels.

"It does not follow that the nation states should wither away, that would be unnatural... History is against it and the peoples of Europe do not want it".

In spite of the outbreak of unity, Lord Tebbit's remarks to a fringe meeting organised by the Thatcherite Conservative Way Forward remained barbed, as he commented that it would have been better if Mr John Major's conversion had occurred earlier.

"How much easier it would have been if Mr Major had worn those sceptics' clothes at Maastricht," he said.

Lord Tebbit also served notice that Conservative candidates in next year's European parliamentary elections could not necessarily count on his support.

Drive to boost food sales to rest of EC

By Ivor Owen, Parliamentary Correspondent

A DRIVE to boost food exports to Britain's European Community partners was announced by Mrs Gillian Shephard, minister of agriculture.

She said leading retailers would be co-operating with the government soon after Christmas to highlight the most effective ways of ensuring that goods were displayed in continental supermarkets.

Mrs Shephard underlined the importance of securing greater export penetration as well as improving domestic market share when joining with rank and file speakers in questioning the need for the £6bn deficit in trade in foodstuffs incurred by Britain in 1992.

The Food from Britain organisation had been given a new remit to expand its work on export promotion.

Warning that the UK market should not be taken for granted, she said: "No one has to buy British. The invaders are not just waiting over the channel – they are already there on the supermarket shelves".

Mr Nicholas Soames, food minister, had been assigned the catering sector, and Mr Michael Jack, minister of state, would seek to improve the performance of the horticultural industry. Horticulture accounted for the largest part of the food trade deficit.

Mrs Shephard said Mr Jack had assured her that "anything the Dutch can do we can do better – since half of all Dutch exports are agricultural that is quite a target".

She was unable to dispel fears expressed during the debate thst the promised reform of land tenure to provide more tenancies for new entrants to farming might be subject to further delay.

Mrs Shephard admitted that delaying tactics by Tory Euro-sceptics against the Maastricht bill could lead to new landlord and tenant legislation being crowded out of the programme for the parliamentary session due to open later this month. In that event, a new round of consultations, including draft clauses of the proposed bill, would be undertaken with all the interests concerned.

New proposals on fishing limits

By Alison Maitland

FISHERMEN in England and Wales yesterday proposed a package of conservation measures aimed at persuading the government to abandon its controversial limits on the number of days trawlers can spend at sea.

But tbe measures dld not include a radical proposal put forward last week by representatives of Scotland's 8,000 fisbermen that the government should temporarily abandon the EC system of quotas on the type and quantity of fish they can catch.

Mr Barrie Deas, secretary of tbe National Federation of Fisbermen's Organisations, which represents 6,000 fishermen in England, Wales, Northern Ireland and the Channel Islands, said the quota system protected UK fisberies against unrestricted access by the huge Spanish and Portuguese fishing fleets.

The government has opted to restrict fishing time at sea from next January as part of its effort to comply with EC rules by making a 19 per cent reduction in the capacity of tha UK fleet by 1996.

In other respects, the NFFO has put forward similar alternative proposals to those of the Scottish fishermen, notably on increasing the size of mesh in fishing nets and introducing compulsory square mesh panels which allow young fish to escape.

The NFFO, which will seek judicial review of the limits on days at sea in the High Court on November 1, called for increases in minimum landing sizes for fisb and no-fishing zones to protect young and breeding fish.

Mr Deas said the government should also boost its £25m three-year decommissioning programme.

An extra £17m could be found from savings on administration and enforcement by abandoning the days at sea scheme and by using tax payable by fisbermen on compensation awards made when they leave the industry.

NEWS: UK

Extra short-term export insurance available

By David Dodwell, World Trade Editor

THE UK government is to provide extra short-term export insurance cover worth £1.4bn for the remainder of 1993 in a move aimed to protect Britain's export drive in fast growing markets, particularly in the Pacific rim.

The move marks an important breakthrough for private sector insurers, which have been warning the government since early this year that they could not cover exporters' needs. That was due in part to the fragile state of the reinsurance market and also to a surge in exports from the UK, following devaluation of sterling last September. Exports to China, for example, were 90 per cent higher in the first half of 1993 than in the first half of last year.

The initiative comes at e valuable time for Mr Richard Needham, Britain's trade minister, who next week leads a large delegation of British business leaders on e high profile visit to China, Hong Kong and Taiwan. Earlier this year, Mr Needham pinpointed China and Indonesia as primary targets for UK exporters.

The UK government was doubtless anxious not to be embarrassed as it was last year to mount an export mission to Thailand just days before revealing that export insurence cover bad been exhausted.

Mr Colin Foxall, chief execntive of NCM Credit Insurance, the Dutch-controlled company which accounts for 80 per cent of short-term export credit cover in the UK, welcomed the development: "It marks a recognition on the government's part that the reinsurance market has not expanded sufficiently to cover all short-term risk," he said.

He emphasised that the private sector would continue to meet more than 80 per cent of the export insurance needs of UK exporters. The £1.4bn in additional cover will be of greatest value in "concentrated markets" where high levels of exposure have arisen because of strong export growth. Key markets are Turkey, South Korea, Malaysia, China, Indonesia and Thailand.

When the UK government privetised tha short-term export insurance arm of the Export Credits Guarantee Department late in 1991, its stated eim was to withdraw completely from the reinsurance of short-term risks – generally, exports where payment is due within two years.

A crisis emerged early this year, when NCM revealed that at least £1bn of exports were in jeopardy because the private sector did not have the capacity to reinsure the risk. The government moved to answer this shortage in June, when it announced that "top-up" reinsurance would be extended to 1997. The ECGD said yesterday: "It remains government policy to maximise the extent to which reinsurance is provided by the private market."

BP sells stake in orimulsion company to Venezuela

BRITISH PETROLEUM is to sell its 50 per cent stake in a company which markets orimulsion, a bitumen-based substance which has been labelled by environmentalists as the world's dirtiest fuel, writes Michael Smith.

The disposal of its share in BP Bitor will be welcomed by the UK coal lobby, which sees orimulsion as a growing competitive threat in the power market and a factor in the rapid contraction of the British mining industry.

The lobby will argue that BP Bitor, to be renamed Bitor Europe, is likely to have less influence in the UK and Europe once British Petroleum has sold its stake to Petroleos de Venezuela, the state-owned company, which owns the remaining 50 per cent.

Earlier this year the UK government rejected calls for e ban on orimulsion. The coal lobby suffered another blow in August when the Pollution Inspectorate authorised PowerGen, the power generator, to burn orimulsion at its stations at Ince on Merseyside and Richborough in Kent.

Both stations have been burning the fuel on an experimental basis for three years. The authorisations provided BP Bitor with its most significant inroad into Europe.

BP said the sale, effective from January 31, was aimed at helping it concentrate on its core activities of exploration, production and refining of oil and petrochemical production.

It was this, rather than the controversy surrounding the fuel, which had influenced the disposal decision, it said. The sale of the stake for an estimated $5m will have a minimal impact on BP's financial performance.

BP helped the Venezuelans develop the technology for emulsifying heavy oils on which orimulsion is based in the 1980s.

Britain in brief

Unions 'offer advantages for employers'

Trade unionism – "a great British invention" – provides advantages for employers who want to become more competitive, argues the Trades Union Congress in its evidence to the House of Commons employment committee's forthcoming inquiry into the future of organised labour.

The document, which has just been submitted to the committee, argues that collective bargaining has important advantages for companies, which benefit from collective employee representation because it "offers economies of scale and time to the employer by simplifying the process of fixing terms and conditions of employment. Strong collective bargaining systems provide employers with flexibility to meet local needs or market conditions.

"In workplaces, unions work in partnership with employers. Unions beve e good track record in managing change together with employers. They will ensure it takes place efficiently without damaging the interests of the workforce."

Reserves fall

The overall level of UK official reserves fell by $119m last month, bringing reserves at the end of the month to $43,044m, compared with $43,163m at the end of August. The underlying change, which excludes a number of factors included in the total change, was a rise of $35m. The dollar value of the existing amount outstanding under the UK Ecu-denominated revolving credit facility fell by $37m as e result of exchange rate changes.

House prices up

House prices recorded an annual increase last month for the first time since January 1991, according to Halifax.

Britain's biggest building society said the average price of e house had risen by 1 per cent to £63,214 during the 12 months to the end of September. That compares with a year-on-year fall of 2.3 per cent in August.

Footwear sales down sharply

Sales of footwear in Britain have declined sharply in the past year despite signs of an upturn in overall consumer spending, the British Footwear Manufacturers Federation said.

In the 12 months to July 1993, spending on footwear fell by £198.7m – a 4 per cent drop. The federation said there had been an "across-the-board slump" with retailers selling 19.3m fewer pairs of shoes, boots and slippers. The downturn represented a 7.6 per cent fall in volume sales.

Poor skills cost UK £10bn

Poor basic skills, particularly illiteracy, are costing the UK £10.2bn each year, a report by management consultants Ernst & Young has found.

Industry could save up to £8.4bn if basic skills were improved. Ernst & Young's estimates are based on a Gallup poll of 400 large companies conducted earlier this year for the Adult Literacy and Basic Skills Unit and grossed up to take account of companies of all sizes.

The annual cost of rectifying customer orders despatched incorrectly because of poor basic skills was estimated at £4.3bn, while customers lost through errors cost £1.5bn.

Acid rain targets beaten

The government has said the UK is ahead of its international commitments to cut acid rain.

Figures on harmful gas emissions showed thet last year's output of sulphur dioxide and oxides of nitrogen was below the levels established by the UK plan that implements targets set by the European Community's large combustion plants directive. Total emissions were 2.67m tonnes of sulphur dioxida and 701,645 tonnes of nitrous oxides. Quotas for the year were 3.25m and 925,000 tonnes respectively.

Good service not included

Restaurants are coming close to deceiving customers by adding unexpected charges to final bills, says the 1994 Good Food Guide, published by the Consumers' Association.

Some of the most popular restaurants, particularly in London, "are guilty of some shameful tricks, all designed to push up profits without the customer being too aware of it", it says. The guide mentions a restaurant in Soho, London, which has e £1.50 cover charge for olives or bread placed on tables without customers asking for them.

"Restaurant customers falsely assume that the price of the main dish provides an indication of what they will pay. "While the recession may have forced proprietors to reduce their headline prices to persuade customers through their doors, some of them load the other costs to the point of virtual deceit. No wonder the public sometimes feels restaurants are combat zones."

TRANSMANCHE LINK, the contractors building the Channel tunnel, have resorted to pedal power to transport workers through the underground construction site, writes Tim Burt.

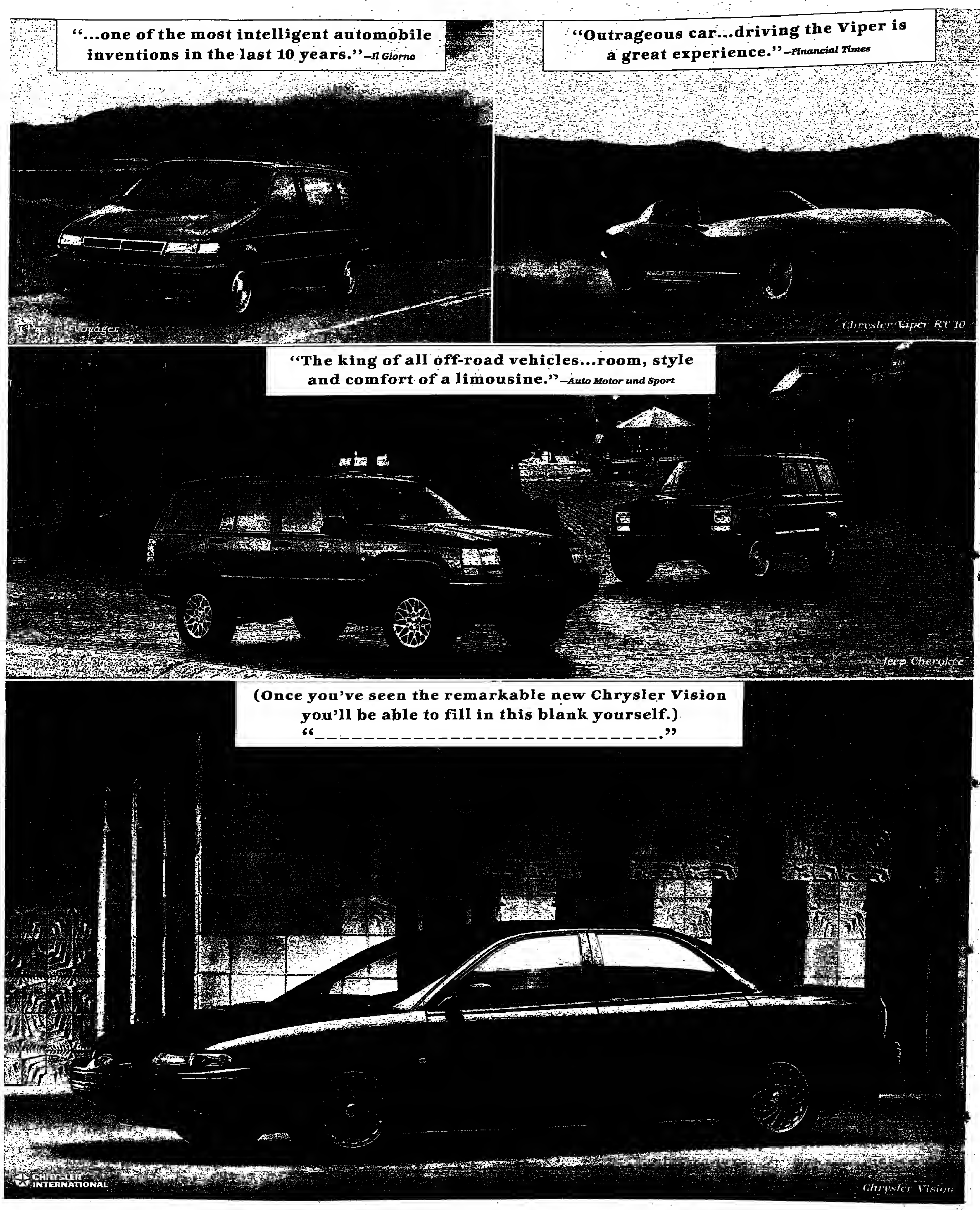
In a move designed to minimise delays on the project, the consortium bas bought more than 200 mountain bikes (above) so that workers can cycle along the tunnel.

TML said the decision had been prompted by concerns that productivity was being hit by congestion on the motorised shuttles which ferry workers underground.

The bikes, fitted with 21 gears and specially designed tyres, are available et six locations in the service tunnel running between the two main rail shafts. But before using them, workers must pass e cycling test and carry a "riding licence" while underground.

The consortium, which has bought 125 bicycles from manufacturers in Britain and 80 from France, declined to reveal bow mnch it paid for its two-wheeled fleet.

The British cycles have been hand-built by Saracen, the Warwick-based manufacturer, and coated in titanium to withstand conditions beneath the seabed



If you'd like some professional examples to guide you, they do exist. *Le Figaro* says that the Vision is "a 'tour de force' from Chrysler's designers." *Auto Bild* simply calls it "one of the best cars in the world."

Their enthusiasm is understandable. With its new cab forward design, the Vision combines the nimbleness of a sports sedan, the roominess of a touring car and the safety of driver and front passenger air bags. We think that the Vision is the perfect addition to Chrysler's family of distinctive vehicles. And clearly, we're not the only ones who think so.

CHRYSLER

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MANAGEMENT

Shorter low-fat lunches

The days when staff ate spam and chips in the canteen and directors had rack of lamb in their own dining room are long gone.

In the modern canteen, directors sit next to cleaners, and they eat a subsidised, healthy lunch washed down with soft drink in a smoke-free environment. And both regard this mid-day meal as being one of the most important perks of the job.

This rosy view of lunching at work emerges from a survey* of British mangers which was carried out jointly hy Director magazine and Compass Services, a catering company.

The survey finds that nine out of 10 directors think that it is iniquitous for directors and staff to eat separately; in e similar number of companies, segregated dining has been scrapped completely.

In only 8 per cent of British companies is it possihle to have an alcoholic tipple over lunch, and in only 5 per cent is smoking unrestricted.

Directors not only pay lip service to their classless canteen, they actually use it. Two-thirds of the directors eat in their canteens frequently, while 85 per cent believe that the long business lunch out at a restaurant is a thing of the past.

However, the clean-living egalitarian lunch is better established in some areas than others.

Blue-collar workers are still offered processed, fatty food, as fewer than half of their companies have any policy on making food in the canteen more healthy.

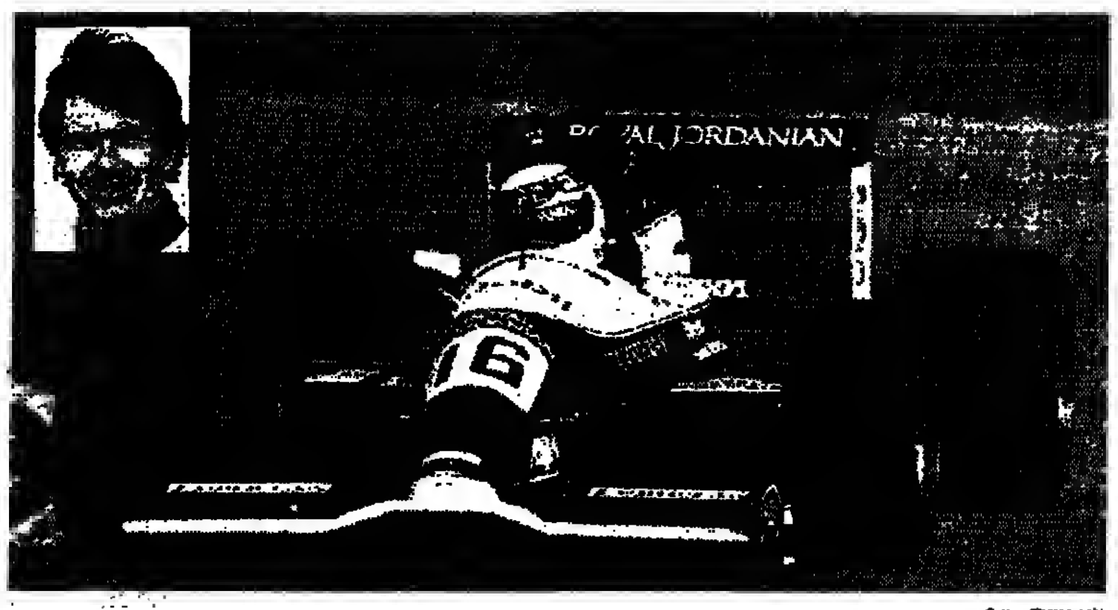
By contrast, 80 per cent of employers in the service sectors have healthy eating programmes, encouraging employees to eat as many fresh vegetables as they care to.

The vast majority of companies provide subsided or free meals, and despite the effects of recession, almost none plans to make staff pay more for their meals.

In return, companies felt they were buying better staff morale, higher productivity and shorter lunch-breaks.

Lucy Kellaway

** The Lunchtime Report 1993. Compass Services. Tel: 081 741 1541.*



Sutton Photographic

Paul Stewart: 'The drivers are part of a service industry. They must be ready, willing and able to talk about the investor's business'

Same formula, different race

What can managers learn from sportsmen? Jackie Stewart and his son Paul tell **Tim Dickson**

Damon Hill may be British motor racing's most famous son. But 27-year-old Paul Stewart, whose father Jackie scored 27 Grand Prix victories in his time, is fast proving to be another chip off the old block.

Young Stewart is no all-conquering driver just yet – he is currently seventh in this year's Formula 3000 championship, the class below Formula One. But what marks him out for special attention is Paul Stewart Racing, the company he founded with his father in 1988.

On first acquaintance it is not an exceptional husiness. It runs several cars, employs around 45 people at offices and workshops in Milton Keynes, and besides Formula 3000 concentrates on racing in two other "formative" classes, Vauxhall Lotus and Formula Three. Like other motor racing teams its income – in excess of £3.2m this year – is dependent on corporate sponsors.

What distinguishes Paul Stewart Racing in a sector notoriously short of good management talent is the rare commercial flair of its celebrated founder. He is now passing this on to his son. Professional sportsmen often earn a living from their admiring contacts or dining out on past glories – but relatively few develop genuine business careers or can claim to have established and grown a new venture. Jackie Stewart is one of them.

The three-times world championship winner has brought to his son's company some of the lessons which sport can teach businessmen – sound preparation, good teamwork and the like. But he has also applied his experiences of commercial life gained over 10 years at the wheel of a Formula One car. "As a professional sportsman I had the privilege of working with some of the best husiness and technical brains in the world," says Stewart senior. "I learnt a lot about marketing, generating enthusiasm and the importance of communication."

Appreciation of risk – a skill which comes in useful in business as well as at speeds of more than 200mph – could also be added to the list. "I survived as a driver by minimising the downside risks, meticulously analysing those that were worth taking and those that weren't," explains Stewart senior.

"In a sports business like ours there's no puffing np a balance sheet to disguise short-term performance. Either you win or you don't, that's what it's about."

At the heart of the company's philosophy is a belief that talent on the track should be matched by professionalism off it. Take Stewart senior's ideas on the increasingly competitive and cut-throat world of corporate sponsorship.

"Sponsorship is almost an obsolete word," he explains, outlining how it now goes well beyond dangling e bit of media exposure in front of a few motor racing enthusiast chairmen. "What it's really about is bringing people together."

With the 31 sponsors, many of them Scottish-based, effectively the "shareholders" – among them Highland Spring, the Marshall Food Group, Bank of Scotland and the Forte hotel gronp – Stewart works hard to provide a worthwhile "return". Companies get their names on the cars and a chance to invite clients and employees to races. But the most interesting part of the "dividend" – and the one Stewart claims gives the company an edge – is the potential business to be won in the sponsorship group.

Neil Kirby, deputy general manager of Forte's Grosvenor House Hotel in London, says the group is stocking Highland Spring thanks to a meeting arranged by Stewart, while conference and hotel business has come its way from other members of the "network". David Paterson of Bank of Scotland does not expect to win vast numbers of new accounts or deposits, but underlines Stewart's readiness to make introductions and says this may produce a more tangible return to the bank than merely having its name emblazoned on the side of a car.

If Peul Stewart Racing could teach some businesses a trick or two about pleasing "shareholders", the company is no slouch when it comes to staff development. Its "staircase of talent" idea may sound like something out of a management consultancy brochure, yet it neatly reflects the view that drivers and mechanics can be "grown" through experience In all three formulas. With unprecedented Formula Three and Vauxhall Lotns championship wins for the team this season tbe drivers have excelled on tbe track. But away from it each one is trained in public speaking, both to represent and entertain sponsors at events.

"Today they understand that they are part of a service industry. And service means, being where the sponsors want them, dressed appropriately, ready, willing and able to talk about the investor's business," explains Paul.

Modern management thinking, indeed, trips off young and old tongues alike with Stewart senior particularly obsessed by change. "I've seen the goal posts move so much with the Japanese motor industry," he says before delivering an image of the British motorcycle industry unlikely to be found in any business school textbook.

"It is not as if they were shot in the back hy a high-powered rifle from a great distance, nor stahbed from behind a curtain on a dark night. They died in their own beds, asleep, suffocated hy their pillows."

A recent example of their own challenges came when a rival team developed a chassis which threatened their early season lead in the Formula Three championship (which their driver subsequently won). "We decided to get a different car, which was not only very expensive. With the championship slipping away we also had to learn quickly to engineer It and adapt to it."

Paul Stewart Racing aims to reduce its depeodency on sponsorship income through diversification and is trying to exploit the expertise it has so far developed in telemetry – the use of radio waves to transmit readings and measurements of instruments to a recording device. It has no proprietary technology, but its "racing mentality" is attracting the interest of Ford's North American vehicle dynamic engineers.

Competitiveness is still improving, writes **Christopher Lorenz**

Japan keeps up the pressure

If, like many western managers, yon are heaving e sigh of relief at all the current cases of recession-hit trauma in Japanese industry, you should look again – and worry.

A few fet multinationals in Tokyo and Osaka may be suffering – with their suppliers hurting, too – hut many medium-sized Japanese companies with sizeahle export ratios are responding to recession by raising still further their already daunting competitiveness.

They are doing so, not through the sort of quantum-leap "re-engineering" which has become fashionable in the US and Europe, hut hy maintaining their traditional commitment to "kaizen" or "continuous improvement" on every front: in the "time-to-market" of new products; in speed of manufacture and delivery; in stock turn rates; and in their cost and total productivity levels. This strategy is effective, since most Japanese manufacturers start from e higher level of efficiency and effectiveness than their western rivals.

These are the main messages to emerge from a late summer research trip to Japan by a consultant who is helping Britain's Department of Industry organise a series of high-level autumn "benchmarking brunches" on how manufacturing companies can learn from Japanese best practice. Starting at the end of this month in Newcastle as part of the DTI's Priority Japan campaign, they will also be held in Reading and Birmingham*.

Mark Smalley, who heads PA Consulting's Midlands office, as well as acting as one of its chief Japan watchers, studied a sample of eight export-orientated companies of similar size and sector to meny UK enterprises. Most employ between 1,000 and 2,000 people. Their industries include pumps, compressors, electronics components and test equipment, cycle parts, and materials handling equipment.

His many conclusions inclnde the following:

- Almost every company spends heavily on product development and production plant.
- Although product life cycles are now being lengthened in some Japanese industries – a move which has given false comfort to some of their western competitors – the time required to develop new products is being shortened further, as companies postpone their design decisions as late as possible. One of the study companies has cut its already rapid development cycle hy 50 per cent over the past three years.
- Almost every company is slashing still further its order-to-delivery cycle for products and services, whether they are standard or customised items. In one instance, this has been cut from seven to two days over a period of several years, in another from four months to one.
- Logistics and production improvements are rife. Since 1991, one company has raised its annual stock turn from 13 to 14.3 times, while another has gone from 6.25 to 7.8. A third has climbed from eight to 12 times since 1989. One company now makes a sophisticated calculation of the optimum trade-off between stock turns and shorter delivery times.
- Companies are looking for annual increases in total productivity of about 10 per cent. More ambitiously, one has aimed for some time to make its unit cost improvements track the surge in the yen-dollar exchange rate. With two exceptions, the eight companies have raised sales-per-employee by between a fifth and two-thirds over the past four years.

Overall, Smalley says the companies are placing even greater emphasis than before on collaboration between marketing, sales, design, engineering and production. "They don't use phrases such as 'marketing-led'," he comments. "They see everything having to work together."

The half-day "henchmarking brunches", for up to 100 participants at a time, will differ from many DTI initiatives, in that they will be aimed at leading-edge UK companies as well as average performers. In addition to presentations from top Industrialists, the events will include workshops led by academics in three areas: closeness to market, production and logistics.

** Tel: 071 727 9732.*

BUSINESS AND THE ENVIRONMENT

Companies meet in Paris on Friday hoping to form an environmental pressure group, writes **David Lascelles**

Big guns to fire green shells

Business initiatives on the environment are proliferating. The latest – and possibly most ambitious – gets under way this Friday when executives from 90 large companies gather in Paris under the auspices of the World Industry Council for the Environment (WICE).

They hope to forge a common position on a series of green issues, from trade and technology to the role of the financial markets in conveying the environmental message. The resulting position papers will then form the basis of a drive to influence the international environmental debate.

The 90 companies come from 21 countries and include names such as AT&T, Johnson & Johnson, Texaco, Sony, ICI, Volkswagen and Rhône-Poulenc. "It's a good list," says Rodney Chase, the managing director of British Petroleum who is chairman of the group.

WICE was formed by the Paris-based International Chamber of Commerce in the wake of last year's Earth Summit in Rio de Janeiro as a way of addressing issues which had an international, rather than just a national, relevance.

The positions have been prepared by task forces using the technical expertise of the companies involved, and bear the stamp of their managements.

One of the concerns which prompted it was that the global environmental debate launched at Rio would influence national government policies before business had a chance to have its own say. These policies could affect competition, the use of resources and the spread of technology, businessmen thought.

Much of WICE's work will be concerned with striking balances, for example between environmental standards and the flow of trade, or between regulation and cost, and even between population growth and living standards. "We want to ensure that the Rio initiatives are not at the expense of expanding world trade," says Chase.

He cites as an example the recommendations that WICE is proposing to make to governments on the use of incentive regulation to promote environmental standards. "Governments should be clear about their objectives, they should estimate the cost and be satisfied that the economy can stand it. They should not try to prescribe the answer, but should set a sensible timetable and then stick to it.

"On all these issues we should have a quality position or we shouldn't say anything," says Chase, who admits that the danger is that WICE's utterances will be diluted to meet the lowest common denominator of its members. But he adds: "If it wasn't important for BP, we wouldn't be doing it."

Chase is in broad agreement with the items on the global environmental agenda, and sees WICE's role as trying to establish priorities. "They [the items] are set by world concern," he says.

His personal priorities centre on the impact of what he calls "late 20th century consumerism": the problems of short-lived commodities which generate waste which stays around for a long time.

"We are not trying to understand and plan for the consequences of population growth," he says. "There is a trade-off between economic growth and its impact on the environment. But the trade-off has not been calculated or managed.

"We should have a business plan. We should establish priorities on where to spend money and brainpower. The debate on climate change will be a good example." Science has a lot to contribute to ways of curbing pollution, and promoting sustainable development.

Chase believes the business community has "upped its game" on the environment. "It's patchy, but moving in the right direction. Environmental agendas are more deep-seated in company plans than many people realise. Unfortunately, this is not as well matched by the image.

"Companies which can combine environmental performance with good business should flourish."

But there is also an attitude in the business world which says that environmental regulation is OK, so long as companies can pass the cost on to their customers.

One question WICE will doubtless prompt in business minds is: why yet another action group? We already have the Geneva-based Business Council for Sustainable Development which published the widely read book *Changing Course* describing the environmental experience of its 50 blue-chip company members, and is now working on a number of post-Rio assignments.

"I don't know enough to know why those other initiatives have not satisfied our members," comments Chase, cautiously.

Rodney Chase: 'We should have a quality position or we shouldn't say anything'

Timber watchdog ready to bark

Peter Knight reports on the launch of the Forest Stewardship Council

The world's first independent body which will help control the trade in forest products, the Forest Stewardship Council (FSC), will be operating within a year.

This emerged at an assembly in Toronto, Canada, at the weekend, following a tortuous two-year process that brought together business, environmental and human rights groups from around the world.

But the effectiveness of the FSC is already in doubt after some influential western environmental pressure groups, including Greenpeace and Friends of the Earth, withdrew their support in protest, when business was granted voting rights and seats on the FSC board. "It is a dangerous and unnecessary compromise to involve industry in the process of determining the environmental standards by which industry is judged. We have withdrawn from the FSC because it has accorded industry such a decision-making role," said Simon Counsell, forests campaigner at Friends of the Earth.

The FSC was set up to verify the authenticity of environmental claims made by producers of forest products. Such assurances – that wood products and wood pulp come from sustainable forests – have grown, following widespread concern about the destruction of the world's forests.

The idea behind the FSC was ambitious and its creation has been difficult. Organisers, including the Worldwide Fund for Nature (WWF), the US-based Woodworkers' Alliance for Rainforest Protection, non-governmental organisations from around the world and business, have had to create a body that reflects the conflicting interests of social, economic and environmental groups from rich and poor countries.

The Toronto meeting divided itself into three factions, representing environmental campaigners, human rights groups and business interests. But even within these groups there were splits. A Brazilian environmental coalition, for example, refused to support the arguments of Greenpeace and Friends of the Earth.

"We are in uncharted waters, but we have definitely taken an important step forward in verifying certification. Industry has got a compromise. Industry has a say but it does not have control of the FSC," said Francis Sullivan, forestry officer at WWF UK.

"The writing is on the wall for those among the timber trade who do not pay attention to the social and environmental issues affecting their business," he said. Torbjörn Sjödin, project manager for forest and timber at the Ikea furniture retailer, said the formation of the FSC was good news for his company, its employees and the customers.

"It means a lot to us. The FSC is unique because it has brought together social groups, environmental groups and business," he said.

Mark Eisen, manager of environmental marketing at Home Depot, the US's biggest home improvement chain, said the FSC will help its company's policy of buying wood products from properly managed forests.

"The FSC will legitimise the process of certification. It will clear some of the uncertainties felt by our suppliers. It will give us more credibility in our efforts to get our supplies from sustainable sources," he said.

Alan Knight, environmental co-ordinator at B&Q, the UK's biggest DIY chain, was on the FSC's interim board. He hopes the environmental groups will eventually support the council.

"For the first time it has been shown that enlightened environmental organisations and the trade can share the same objectives in achieving socially beneficial and environmentally benign forestry."

But some of the more extreme environmental campaigners do not agree. Rosalind Reeve, a consultant to the German-based Rettet den Regenwald, said: "At best the FSC initiative is naïve, at worst it provides a framework for the timber industry to achieve a much-desired green veneer and defuse pressure to attack the real issues of illegal trade, indigenous peoples' rights and overconsumption."

Recycling begins at home

RWE, the German energy-based conglomerate, Greenpeace, the environmental pressure group, and paper recyclers in the UK have one thing in common: they want German waste exports to stop.

In the case of RWE, based in Düsseldorf, the motivation is money. About to start building one of the largest waste recycling plants in Europe, the company wants to be sure it will find enough customers. The success of the project is pinned on the introduction of EC-wide waste requirements which would destroy the incentive of German companies to dump their waste abroad.

At the moment, recycling in Germany (or paying for landfill space) costs a local company more than transporting and recycling (or dumping) waste material abroad. Foreign destinations can be just across the border in France, or as far away as Asia, with returning cargo ships charging relatively little for transport.

Turning used steel into scrap, for example, costs an estimated DM600 (£240) per tonne in Germany compared with DM250 in France, according to analysts.

The tendency of German companies to export their waste, often circumventing labelling requirements, has led to a string of scandals. Michael Stock, director of the plant which RWE plans to build, believes the only solution to curb such practices is an EC-wide waste disposal regime.

RWE is betting one will be in place by the end of the century. And it wants to offer the most modern and cost-advantageous recycling technology to German and other European companies faced with it. "Our aim is to operate the most modern recycling plant in Europe by the time German producers can no longer export their waste," he explains.

The project will regroup three plants dealing with 60,000 tonnes a year of toxic waste (such as fats, oil-contaminated substances and paints), 80,000 tonnes of scrap metal and 40,000 tonnes of biological waste (such as contaminated water from sewage or agricultural lands). Thyssen Handelsunion, the diversified trading arm of the Thyssen conglomerate, is co-investor.

As part of the project, RWE also plans to develop the know-how and technologies to rehabilitate contaminated soils.

The plants should be operational by 1996, after a four-year construction period starting next year. Local authorities in Duisburg, which studied the project for three years, are expected to give the final go-ahead in the spring.

While the project will be a considerable boost for local enterprises, which are expected to provide 48 per cent of the DM600m investment, it will not offer many jobs to offset the rising levels of unemployment in the traditional coal-and-steel Ruhr region. Fully computerised, the entire "centre" will be operated by 180 people at most.

The project also offers an example of how energy groups in Germany are moving towards becoming large, indispensable players in the recycling industry. Smaller recyclers were prompted to complain to the Federal Cartel Office in Berlin early this year about this trend.

But with the success of Germany's strict recycling models at stake and with a dearth of local recycling capacity to make them work, the cartel office has kept silent.

Ariane Genillard

PEOPLE

Hanna leaves Avis for United Distillers

Ken Hanna, group finance director of Avis Europe since 1989, is joining United Distillers, the Guinness spirits division, as finance director.

Hanna, 40, who previously held senior finance posts with Max Factor and Black & Decker, takes up his appointment on November 15. He will be responsible at UD for financial control, business development and information systems, reporting to Crispin Davis, managing director.

He succeeds Keith Hamill, who recently left UD to become finance director at Forte, the hotels and restaurants group.

David Maloney will take over Hanna's post at Avis Europe, and will also join the board of Cilva Holdings, the Avis parent consortium.

Maloney joined Avis in 1987 after financial and planning positions with Paramount Pictures and Mobil Oil. He has been finance director of Avis UK and, most recently, was based in Madrid for more than two years as managing director of Avis Spain.

■ Richard Wainwright-Lee, formerly general manager, finance sector industry marketing with CABLE & WIRELESS Busienss Networks, has been appointed director of corporate finance on the main board; he succeeds Jeff Phillips who is now director of corporate finance at C&W subsidiary Mercury Communications.

■ Tony Powell, formerly md of Schlumberger Industries, Water and Gas UK, has been appointed md of John Crane Europe, Asia, Africa, part of the TI GROUP; he succeeds David Crofts who has been promoted to executive vice-president of John Crane International.

■ James Long, formerly group treasury director, has been appointed group corporate finance director of INCHCAPE.

■ Pat Sheedy is promoted to become md of the Northern division of Dutton Forshaw, part of LONRHO, following the early retirement of George Carr.

■ Edward Birnbaum, formerly marketing director of white goods at Dixons, has been appointed marketing director of WICKES Building Supplies.

■ Steve Davies, formerly group operations manager, has been appointed md of ORIGA, part of Hoerbiger Automation Technology, in succession to Keith Stephenson, who has been appointed chairman and chief executive of Origa Group.

■ Steven Keeling, formerly md of Oakland Fast Foods, part of GrandMet, has been appointed md of Silcock Express, part of TIBBETT & BRITTEN GROUP.

In Detention

UK Detention Services, the private prison company that last week attracted Michael Quinlan, 51, former director of the US Federal Bureau of Prisons, to its board, is strengthening its management with a second US appointment.

L.T. (by which he is known) Brown is to become director of operations for UK Detention Services, which manages Blakenhurst Prison, Redditch. After 22 years in the US public prison service, Brown joined Corrections Corporation of America, a US private prison operator, in 1988. CCA is, with John Mowlem and Sir Robert McAlpine, a partner in UK Detention Services.

David Brooke, who joined UK Datention Services as director of Blakenhurst this year, is to become director of business development. He has a long career in the British public prison system, including serving as governor of Wormwood Scrubs, London, and on HM Inspectorate of Prisons.

The new director of Blakenhurst will ba Bernard Higgins, who spent 14 years as a governor in the British public prison service before joining UK Detention Services.

Although there are currently only two privately run prisons, the government is committed to extending private management to about 10 per cent of the system. Potential private sector operators are strengthening their management teams with experienced recruits from the public sector and overseas.

Finance moves

■ Gordon McQueen (above), general manager, international and treasury, at the BANK OF SCOTLAND, has been appointed general manager UK banking-England, based in London, on the retirement of Bob Wickham. Fraser Campbell, general manager Centrebank, succeeds McQueen and will be succeeded by George Mitchell, divisional general manager and chief executive of treasury services, on March 1, when he will become a member of the management board. Colin Matthew, divisional general manager, UK Banking-England, succeeds Mitchell as from the same date when he too will join the management board.

■ David Porter has been appointed deputy managing director of NOMURA International, in charge of UK, Scandinavian and Dutch investment banking. The position was created as part of a reorganisation of the investment banking operation. He joins Nomura from the Municipal Insurance Group where he was group treasury director. Michael Williams, formerly md Europe for Barclays global services, has been appointed general manager in charge of the banking division at Nomura Bank International.

■ Geraldine Ellington has been appointed company secretary of Tha LONDON FORFAITING COMPANY in place of Marios Savvides.

Jefferies: ear for tenants' grouses

Some 500,000 housing association tenants in England will soon have someone new to complain to if they are unhappy with the management of their homes. Roger Jefferies, chief executive of the London borough of Croydon until March, will become the first housing association tenants' ombudsman on November 1.

Jefferies, 53, should be able to offer a particularly sympathetic ear to tenants' grouses. A qualified solicitor, he is author of Tackling the Town Hall, published in 1982, about ways in which citizens could complain about or appeal against their local authorities.

After leaving Oxford, Jefferies entered local government as an articled clerk with Coventry city council. Having qualified as a solicitor, he became assistant town clerk at Southend-on-Sea in 1968. In 1970, he was appointed operations director for the London borough of Hammersmith, becoming chief executive of the west London borough of Hounslow in 1975.

In 1990, Jefferies moved to Croydon, taking early retirement three years later during a reorganisation of the council's management structure. At the time, he was London's longest serving local authority chief executive.

Between 1983 and 1985, Jefferies was seconded to the Department of the Environment where he was under secretary responsible for planning and land use policy. He was president of the Society of Local Authority Chief Executives in 1990-91, the period during which the poll tax was introduced, and its abolition announced after the fall of Lady Thatcher.

As ombudsman, he will be armed with statutory powers given by parliament to the Housing Corporation, the quango that regulates the housing associations that receive government grant. However, he will operate independently of the corporation, so that he is not bound by its policy in dealing with tenants' complaints.

Jefferies says he is looking forward to setting up the new service, and to working with the interesting variety of organisations that make up the housing association movement.

Television/**Patricia Morison**

Tales for fun – and tales for real

Happy tha writer who not only sees the TV adaptation of his book puffed on billboards but has his name hoisted into the title. *Armistead Maupin's Tales of the City* (Tuesdays, C4) has earned golden opinions as a faithful adaptation of e book with the status in Britain of being a minor classic of 20th-century American fiction. Interestingly, Maupin is not nearly such a phenomenon in the US where he is seen principally as a gay writer for a "niche market".

Tales of the City originated in 1976 as e daily serial contributed hy Maupin to tha Sen Francisco Chronicle – not exactly a heavyweight but a family paper all the sama. Running Maupin was e bold editorial decision, and some of the book's pleasure lies in imagining the impact that its light-hearted description of bath-houses, gay bars and cruising supermarkets must have had on the newspaper's more uptight readers.

Inevitably, that piquancy is missing now that *Tales of the City* has been translated to the small screen. However, my disappointment with the TV version arises from the great virtue of the hook. Maupin's chapters are only a page or so long and written with such clarity that it is impossible not to wolf one of his books down in one gulp. In Richard Kramer's *respectful screenplay*, the scenes are correspondingly short and the result is dialogue so sparse that lt sags like an old curtain.

Tales of the City started off like a somnolent alternative soap. Only into hour three has it picked up speed as the charm of Maupin's characters takes effect. Acting ranges from fair to terrific. There is a problem with DeDe Day, the spoilt little rich girl, who even by California standards hardly seemed fat enough to make sense of her crash diet to win back Beauchamp, the tomcat hushand. Olympis Dukakis and Donald Moffat play a touching autumnal romance as Anna Madrigal and Edgar Halcyon, the advertising executive living on borrowed time. If you have not guessed Mrs Madrigal'e secret, it is safe with me.

Plain Toles from Northern Irelond (Thursday, BBC 2) is an *outstanding* documentary series about tha people of County Fermanagh, a beautiful region of pastures and lakes which borders the Irish Republic. It is essential viewing for anyone who has ever wondered gloomily what kind of an insane society Northern Ireland must be.

Writer and director Carlo Gehler is an outsider who has chosen to live and work in Ulster. As Gebler explained in e particularly illuminating programme earlier in the series, he chose to move to Enniskillen, Fermanagh's principal town. Imagine telling them in New York that e sane person might actually choose to raise a family in the place sometimes described as tha British Bosnia.

One objective of the series is simply to show that life in the province is not as bad as outsiders think. "Such an eppealing place to raise e family", Gehler calls Northern Ireland. "An unspoilt world... crime is low... children can play in the street".

Nonetheless, the knowledge is inescapsble that in this redoubt of old-fashioned family values, families are destroyed and hlighted by violence every new day. Gehler went to Enniskillen as a resolutely impartial outsider and yet he admits that as time has gone by, lt has hecome harder not to be affected by the tug of ancient allegiances which lie "like an old magnet in a drawer" beneath the attractive surface of life in the province.

It would be wrong to give the impression that *Plain Tales from Northern Ireland* is just another of those all too familiar television ego-trips for writers. Gebler's real subject is the people of Fermanagh. Without sentiment or prurience, *Plain Toles* evokes the stoicism of Fermanagh people and their matter-of-fact way of dealing with shock and tragedy.

In one programme we met the affable proprletor of a chain of drapery stores, preparing to move back into premises destroyed hy an Easter firebomh. A former lieutenant-colonel of the UDR, he never knows when he may not again stare into the eyes of the gunman. Last time, it was at point-blank range as he arranged a shop-window. As is the way of the place, he knew his assassin. In 15 years, three of his staff have been widowed by the Troubles. "It's just part of the game", he commented.

Northern ireland conforms to what e visitor expects when there are armoured cars in the streets, flags ere flying and kerbstones are painted out in sectarian colours. The puzzlement comes in the towns and villages which outwardly lack the tribal markings. Outsiders are misled by the signs and symhols, warns Gebler, who intentionally does not point out whether it is Catholic or Protestant who is speaking.

This week's programme abont "The Impartial Reporter" was the most subtle so far and could have seemed a trifle dull to anyone who had not watched the rest of the series. A Unionist newspaper, *The Reporter*, has been owned hy four generations of the Trimble family of Enniskillen. Everyone in Fermanagh reads it, Catholic and Protestant, and it makes a profit for its proprietress.

The paper prides itself on impartiality but more than that, its editor pursues a policy of stimulating debate. As Gehler points out, in a society where each side is convinced it knows what tbe other one thinks, even to point out that there are legitimate grounds of debate requires courage. If you have not been watching *Plain Tales*, there is just one part left. Anyone who has will surely agree that this series has made a significant contribution to helping outsiders see the people of Ulster more clearly and sympathetically.

As everyone knows, Hitler was an incorrigihle showman. This week's fascinating *Timewatch: The Mother of All Battles* (BBC 2, Wednesday), provided yet another example of Hitler's extraordinary propensity to turn life into theatre. A Cerman general recalled the meeting with Hitler on July 1, 1943, four days before the start of the epic Battle of Kursk in the Ukraine.

It was a conflict months in the preparation which was to claim more casualties than the entire British losses during the second world war. The generals stood in a semi-circle, weiting for their Supreme Commander to discuss the battle plan. Hitler strode in and stared each man in turn full in the eye and then, without a word, strode out. The stunned generals could only think that Hitler must have been reenacting e famous painting of Frederick II, addressing his commanders on the eve of battle. Who said something ahout hearing the word culture and reaching for e revolver?

Olympia Dukakis as Anna Madrigal in 'Amistead Maupin's Tales from the City'

Alastair Muir

Julie Unwin, as one of the two Cornet Rilkes, supporting a dead soldier in Glyndebourne Touring Opera's fine production

Opera/**Max Loppert**

Matthus's 'Song of Love and Death'

Glyndebourne Touring Opera's production of *Cornet Christoph Rilke's Song of Love and Death*, the first opera by Siegfried Matthus to be mounted in Britain, completes the repertory of the company's autumn season. Much excltement and many high hopes have been stirred by tbe project. Tbe experience itself surpasses them all.

I know of few things in life more exhilarating than the first encounter with e contemporary operatic "voice" capable of singing out truly, effectively, involvingly, and with its own clear-cut theatrical identity. In *Cornet Rilke* Matthus reveals, it seems to me, exactly that sort of voice; I hope the British opera-going public can be enticed to Sadler's Wells – or any of the other sojourn-points on the GTO tour plan – to undertake their own first encounter with it, and to share in the exhilaration.

This 59-year-old German (formerly East German) has eigbt operas to his credit; *Cornet Rilke* (1985), his fifth, is already his most frequently-performed. In these columns last Saturday Andrew Clark charted the progress of Matthus's career (much of it spent as resident creator for the Komische Oper in the former East Berlin) and outlined both the general characteristics of his compositional persona and the particular ones of a 90-minute "opera vision" drawn from a famous prose-poem by Rainer Marie Rilke end written for bomb-destroyed Dresden.

My colleague touched on the marriage of hard practicality, questing imagination and highly personal yet approachable musicality that goes to make up the Matthus persona. CTO's account of *Cornet Rilke* bears him out in every particular. On the simplest level this is *real* opera, not a musicked play or some other kind of music-theatre conception inadequately founded on musical vision.

At every point the music sets the theatrical agenda, intervenes, sums up, carries the impulse forward; there is no question of the text (a fascinating Rilke adaptation by the composer) existing independently. The score, and therefore the drama, take their tone from Matthus's extraordinarily distinctive and beautiful writing for an 11-person chamber-orchestra and vocally far-flung (but never over-extended) chorus.

On paper the choice of instruments may seem quirky or modish – horn (in some ways the protagonist of tbe whole show), flutes, harps, electric guitars, and a big battery of percussion. Not in the theatre. Animated by tingling metal, punctuated by guitar and harp flourishes, and personalised by ruefully lyrical wind and horn, the scoring lacks the sustaining strength of strings. Intentionally so: as the opera deals with the hallucinatory vitality and disconnectedness of war, the sound embodies the theme.

Alternations of fast- and slow-moving stage ectivity, clothed in a musical language that will alarm no-one comfortable with the later Mahler symphonies or the late-Romantic attitudes to tonality of Britten and Shostakovich, possess a comparably picaresque absence of surface logic. Yet, just as the full span of Matthus's scenes is traceable to a single eight-note tone-row, so the diversity of his war-vision is similarly based on e thematic unity. To the opera's stripling hero – played by two Cheruhino-like mezzo-sopranos, representing respectively his outer and inner existence – war brings vigorous, courage-testing life but also sudden, meaningless death.

For all its late-Romantic musical patina this is an lntensely modern work. To that modernity the GTO production team – producer Aidan Lang, designer Lez Brotherston, lighting by Devy Cunningham, movement Stuart Hopps – have responded with enthralling boldness: their staging proves full of kaleidoscopically vivid imagery created by elliptically mobile screens, sudden foreshortenings of physicality in chorus and principals and economically-stated bursts of colour.

The flaws, on Monday, were e barrage of stage noise and a shortage of intelligihle English words (Bernard Jacobson's translation is used) – but musically there wes always sufficlent compensation. Conducted by Martin André, the show boasts outstanding instrumental and choral dellvery, a crisp concentration in pace, and edmirable confidence in the solo voice parts.

In an ideal world Matthus's laconically sensuous comhination of female timbres is probably achieved with voices of more naturally sumptuous quality. That said, the accomplishments of Julie Unwin and Beverly Mills (the two mezzo Rilkes) at the head of a cast including Edith Pritchard, Elrian Davies, Peter Savidge and David Thomas deserve high praise.

In sum, and as Don Giovanni might say, "Bravo, bravo, arclbravo!" to Clyndebourne Touring Opera. And this is the company the Arts Council is threatening with extinction...

Sadler's Wells Theatre, London EC1: final performance on Saturday, then in repertory in Norwich, Plymonth, Manchester, Oxford and Southampton, October 12-November 13

Concert/**David Murray**

A pianist, and some pianos

Twenty years ago, Martin Jones's recordings of Busoni piano music made a fine impression. Those of us who thought Busoni's "modernism" hugely overrated by an earlier generation were stirred nonetheless hy the pianist's sharply musical commitment, and his stinging polish. Since then Jones has hecome an "academic" pianist: 17 years as pianist-in residence at University College, Cardiff and now a Guildhall professor, recording the "complete" Mendelssohn, Debussy and Percy Grainger and doing the occasional concert.

He gave an occasional concert in the Wigmore Hall on Monday. The programme, appealingly off-beat – early, mostly unfamiliar Debussy and Szymanowskl, noble but low-profile Mendelssohn and Ravel, a pair of Alun Hoddinott sonatas – attracted the tiniest of audiences. It included, however, a lady with mnltitudinous plastic bags (but not necessarily s bag-lady), searching noisily among them for some nameless thing while Jones began the limpid Andante of Hoddinott's 10th Sonata – and then, interminably, folding them up again. Jones displayed admirable restraint by simply giving up, remarking that he was trying to "create a quiet atmosphere", and asking *was she THROUGH?*

Shades of the old Wigmore, when audiences were often so sparse that anyhody could wander in!... hut Jones *was* playing below his best commanding form. In Mendelssohn's *Voriations Sérieuses* and Ravel's lean *Valses nobles et sentimentoles*, his indulgent pedalling left harmonic smudges that would have offended both composers' ears. (Though Chopin called the pedal "the soul of the piano", on all the evidence British pedal-training remains even now the crudest in Europe.)

Despite that, Jones secured a broad, expresslve arc for Mendelssohn's faultlessly crafted set, and in Ravel's svelte, exacerbated fantasies he struck to the heart of the matter again and again. It is some while since I've heard the second Waltz sound truly haunting, or some of the later ones pointfully *distraites* – as Jones rendered them here. All that one missed was his super-accurate pounce of old (there were a lot of finger-slips, and in Ravel even some ingrained misreadings), and his old high-definition attack. He should spend much more time performing, and less on academically "interesting" stuff.

He played on a Steinway, presumably the Wigmore's own. I stand rebuked by the Wigmore director's letter-to-the Editor last week: the Nash Ensemble pianist dld *not* play the Hell's "big, booming Bosendörfer", hut the Steinway. In the ahsence of any programme-warning to the contrary, I supposed that he must have that Bosendörfer under his hands. How else could a pianist so adept at adjusting to string-colleagues' dynamics find himself swallowing them up instead?

It would be wrong to claim that the big new Bosendörfer must make everybody sound opaquely loud, for (as the Wigmore's William Lyne has protested) some pianists have been able to make it sing – in the Viennese repertoire. For pianists with different speciallties, end for chamber-players, it needs more practised handling than they can afford; but that ls no pecullar fault. Many Francophila pianists and Liszt exponents love their Bechsteins (and ln America, their *gentle Baldwin cousins* too), despite perennial difficulties with keeping their pearly trebles in good order.

Though European Steinways are good all-rounders, many European planists find American-made Steinways designed for gross, clangorous *noise*. (When Alicia de Larrocha complained to a local Americen piano-technician that she could not make soft repeated-notes *sound*, as in Ravel's *Gaspard*, he explained cheerfully that she had to do it like *this*! – stabbing one note repeatedly and rapidly with his thumh: not really a feasihle option.) It would have been nice to hear Jones striving harder to light up his piano-sound in detail, and not just relying upon his chunky, virile grssp of the whole keyboard, whatever its brand-name.

INTERNATIONAL ARTS GUIDE

■ BONN

Oper Tomorrow: Salome, conducted by Dennis Russell Davies and staged by Ken Russell. Sat: Francisco Araiza sings the title role of Werther. Sun: Otello with Vladimir Atlantov and Renato Bruson. Mon: Katia Ricciarelli song recital. Repertory also includes Lortzing's Der Wildschütz and Valery Panov's production of Prokofiev's ballet Romeo and Juliet (0228-773667)

■ COLOGNE

Opernhaus Tonight, Sat, next Wed and Sat: James Conlon conducts Willy Decker's new production of Yevgeny Onegin, with Boje Skovhus and Adrianne Pieczonka. Tomorrow, Sun, next Fri: Così fan tutte. Fri, Mon: René Jacobs conducts L'incoronazione di Poppea (0221-221 8400)

■ COPENHAGEN

Royal Theatre Tonight, next Tues: Drot og Marsk (King and Constable), historical opera by 19th century Danish composer Peter Heise. Tomorrow, Fri: Hans Brenaa's production of Coppelia. Sat: Ariadne auf Naxos. Mon: Carmen. Oct 23: first night of new production of Peter Grimes (tel 3314 1002 fax 3312 3692)

■ GOTHENBURG

Stora Teatern Tonight, Sat, Sun: Robert North's new ballet The Russian Story, music by Tchaikovsky and Shostakovich. Tomorrow, Fri: Orpheus in the Underworld (031-131300/031-136500)

Konserthuset Tomorrow and Fri: Heinz Wallberg conducts Gothenburg Symphony Orchestra in works by Haydn, Berg and Franck, with violin soloist Dan Almgren (031-167000)

■ FRANKFURT

Oper Tonight: Sylvain Cambreling conducts first night of Peter Mussbach's new production of Wozzeck, marking the start of Cambreling's first season as Frankfurt's opera chief. The cast is led by Dale Duesing and Kristine Ciesinski, and there are further performances on Oct 10, 14, 17, 20, 24, 27 and 31. A William Forsythe ballet programme can be seen on Oct 9, 13 and 15. Così fan tutte and Il barbiere di Siviglia are revived later (069-236061)

Alte Oper Tomorrow: Ingo Metzmacher conducts Scottish Chamber Orchestra in works by Mozart, Stravinsky and Ives, with piano soloist Richard Goode. Fri: Pavel Kogan conducts Moscow State Symphony Orchestra in Tchaikovsky and Prokofiev. (Mozart Saal): Netherlands Wind Ensemble. Sat: Barrelhouse Jazzband, Maryland Jazzband, Carrie Smith and others. Sun: Luxembourg Soloists play symphonies by Mozart and Schubert. Mon: Mercedes Sosa, Latin American song. Tues: Olli Mustonen piano recital. Tues (Mozart Saal): H.K. Gruber directs works by Simon Stockhausen, Michael Torke and others (069-1340 400)

■ HAMBURG

Staatsoper Tonight, next Tues: Il trovatore with Julia Varady and Lando Bartolini. Tomorrow, Sat: John Neumeier's choreography of Mahler's Fourth Symphony. Fri: Claus Peter Flor conducts Johannes Schaaf's production of Entführung. Sun: Der Rosenkavalier. Oct 16: first night of new production of Götterdämmerung (040-351721)

■ LEIPZIG

Gewandhaus Tomorrow, Fri: Günter Wand conducts Gewandhaus Orchestra in Bruckner's Fifth Symphony. Sun: Daniel Nazareth conducts MDR Symphony Orchestra in works by Grieg and Mendelssohn, with piano soloist Lars Vogt. Sun (Kleiner Saal): Alexei Lubimov piano recital. Next Tues: Hans-Peter Linde conducts Concentus Musicus Lipsiensis in baroque programme (0341-7132 280)

■ LYON

Louis Erlo's Offenbach adaptation, Des Contes d'Hoffmann, is revived at the Opéra de Lyon on Oct 14 for six performances. Kent Nagano conducts e cast led by Daniel Galvez-Vallejo, José van Dam, Gabriel Bacquier and Isabelle Vernet. Nagano also conducts a revival of Maguy Marin's production of Coppelia, opening Oct 20 (7200 4545)

■ MUNICH

EUROPAMUSICALE

Orchestras from 31 European countries visit Munich this month for a festival aimed at giving a sound-picture of Europe's cultural diversity. There are concerts every day, mostly at Gasteig. Tonight in Herkulessaal: Lawrence Foster conducts Monte Carlo Philharmonic Orchestra in works by Louis Abbiate (1866-1933), Poulenc and Dukas, with piano soloist Cristina Ortiz. Tomorrow: Pavel Kogan conducts Moscow State Symphony Orchestra in Tchaikovsky and Prokofiev, with piano soloist Nicolai Petrov. Fri: Andras Ligeti conducts Budapest Symphony Orchestra in Kodaly, Liszt and Bartok. Sat in Prinzregententheater: Emil Tabakov conducts Sofia Philharmonic Orchestra in works by Bulgarian composers. Sun: Daniele Gatti conducts Academy of Santa Cecilia in Rossini, Paganini and Respighi. Mon: Claudio Scimone conducts Gulbenkian Orchestra in works by Portuguese composers. Tues: Aldo Ceccato conducts Spanish National Orchestra in works by Turina, Halffter and Falla. Oct 16: Royal Concertgebouw Orchestra. Oct 24: Gothenburg Symphony. Oct 25: Royal Philharmonic. Oct 28: Vienna Philharmonic (089-4809 8614)

BAVARIAN STATE OPERA

Tonight, Sat: Il barbiere di Siviglia with Thomas Hampson, Robert Gambill and Julie Kaufmann. Tomorrow: John Neumeier's production of Nutcracker. Fri and Sun: La boheme. Sun morning, Tues evening (Cuvilliés-Theater): Bavarian State Orchestra chamber music programme. Next Mon, Wed: choreographies by Uwe Scholz, Nils Christe and Balanchine. Tues: La traviata with Tiziana Fabbricini and Francisco Araiza (089-221316)

OTHER EVENTS

Vassili Sinaiski conducts Moscow Philharmonic Orchestra in a Tchaikovsky programme tonight at Gasteig, with piano soloist Vardan Mamikonian. Next Tues at Herkulessaal: Alain Lombard conducts Orchestre National Bordeaux Aquitaine in Rakhmaninov and Stravinsky, with piano soloist Bruno Leonardo Gelber (089-4809 8614). Residenztheater has new productions of Shakespeare's The Taming of the Shrew and Ibsen's The Wild Duck (089-225754). Repertory at the Kammerspiele includes Dieter Dorn productions of King Lear and Aeschylus' The Persians (089-2372 1328)

■ OSLO

Peter Maxwell Davies conducts the Oslo Philharmonic Orchestra on Fri at the Konserthus in a programme devoted to his own music. This is the opening concert of the Oslo Contemporary Music Festival, which continues over the following eight days at various venues, with contributions from the Philharmonic Chamber Choir, Norwegian Chamber Orchestra and others (Tickets and information from Ultima tel 2237 0810)

■ STOCKHOLM

Konserthuset Tomorrow: Janos Solyom piano recital. Sat afternoon: Niklas Willen conducts Royal Stockholm Philharmonic Orchestra in works by Grieg, Nordheim and Svendsen, opening a week of concerts on a Norwegian theme. Next Tues: Kjell Baekkelund piano recital. Oct 15: Alfred Brendel (tickets 08-102110 information 08-212520)

Royal Opera Fri, next Tues: Boccaccio. Sat afternoon: Elektra. Mon: choreographies by Christe, Cullberg and Balanchine (tickets 08-248240 information 08-203515)

Berwaldhallen Sat: Okko Kamu conducts Swedish Radio Symphony Orchestra in works by Sandberg, Elgar and Nielsen, with cello soloist Susanna Malkki (08-784 1800)

■ STRASBOURG

Palais de la Musique Tomorrow, Fri: Theodor Guschlbauer conducts Strasbourg Philharmonic Orchestra in works by Poulenc, Richard Strauss and Debussy, with the Labeque Sisters (8852 1845)

■ STUTTGART

Staatstheater Tonight, Sat, next Tues: Hans Zender's new opera Don Quijote de la Mancha. Fri, Mon: Stuttgart Ballet in choreographies by Cranko and MacMillan. Sun: revival of Giancarlo del Monaco's production of Otello, with Ermanno Mauro (0711-221795)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

Tales of human interest

The Council of Europe is an important defender of minority rights

This weekend, in Vienna, the Council of Europe will hold its first ever summit meeting. The most common reaction to that piece of information is blank incomprehension.

Remarkably few people seem to have any idea what the Council of Europe is. Even among those who know of its existence, many imagine it as yet another talking shop which, while it may once have had a useful role, could be dispensed with now.

They could hardly be more wrong. In the words of Mr Jeremy Greenstock, assistant undersecretary at the UK Foreign Office, it is "the one institution in Europe at the moment which is matching its machinery to its rhetoric".

The Council suffers, of course, from confusion with the EC, and that is understandable. Its headquarters are in Strasbourg, and its parliamentary assembly uses the same chamber as the European Parliament. To make matters worse, the EC has twice-yearly summits under the name of "European Council".

But it was the Council of Europe, not the EC, that drew up the European Convention on Human Rights – a unique document in that it allows individuals to seek redress against their own government in a supranational court. The existence of a commission to investigate such complaints and a court to hear them puts this convention in a quite different category from the Universal Declaration on Human Rights, which is habitually violated by many of the governments that have signed it.

The Council is a club of democracies, and it takes that description very seriously – unlike the Conference on Security and Co-operation in Europe, which in 1990 proclaimed all sorts of high-sounding principles and then opened its arms to a whole host of ex-Soviet and ex-Yugoslav republics, some of which do not even pretend to apply those principles.

The Council has been much choosier. To qualify, you have to have both an executive and a legislature which clearly derive from free and fair, multi-party elections. You must have a free press and – the most contentious point – you must make a show of respecting minority rights. Above all, you must sign and undertake to ratify rapidly the human rights convention – including, nowadays, its provisions on the right of individual petition and on the compulsory jurisdiction of the court.

Slovakia only scraped in last June, after promising to repeal laws that discriminated against ethnic Hungarians, notably by banning the use of non-Slovak Christian names on official documents. And last week the parliamentary assem-

The Council is a club of democracies – a description it takes seriously

bly voted to admit Romania, despite doubts about its human rights record. In both cases, Hungary was persuaded, with some difficulty, that the rights of Hungarian minorities could be better safeguarded by obtaining undertakings from the states concerned, and then monitoring their implementation, than by keeping them out in the cold. (There is a valuable precedent for dealing with backsliders: in 1970, Greece, then under military rule, resigned from the Council, forestalling expulsion by minutes, after being found guilty of torturing political prisoners. It was readmitted after the restoration of democracy in 1974.)

Other former communist states that have gained admission are Hungary itself, Poland, Bulgaria, Lithuania, Slovenia and the Czech Republic. Latvia, Albania, Russia, Ukraine, Croatia, Belarus and Moldova have applied for membership, but have yet to meet the standards set. Their leaders will have a special meeting with the existing members on Friday morning, before the summit proper gets under way.

Why are governments so keen to get in? The Council has no divisions and no "cohesion" funds. It can guarantee no one's security, and has little to offer economically. But the badge of belonging to the club of European democracies is important to the self-respect of post-communist countries, and to the legitimacy of their governments. Moreover, although there is no formal connection between the Council and the EC, it is unthinkable that the latter would consider an application from any state the former had rejected on human rights grounds.

So the Council has gained in importance since the fall of communism in central and eastern Europe. It is playing a significant role in bringing the two halves of Europe together again – a role the summit is intended to solemnise.

It will also discuss at least two areas where the Council's machinery badly needs improvement. On the table will be proposals to streamline the human rights procedure, so that it no longer takes five or six years for the average case to reach a conclusion; and a draft additional protocol to the human rights convention, dealing specifically with the rights of national minorities.

Unhappily, on both issues the UK government (which will be represented by Lord Mackay, the Lord Chancellor – Mr John Major being otherwise engaged at his party's annual conference) is dragging its feet. It wants to keep a two-tier structure for the court of human rights, with provision for appeals – although the court is already effectively an appeal court, addressed only when domestic legal remedies are exhausted – and it objects to any justiciable protection of national minorities on the grounds that these are too difficult to define and (according to Mr Greenstock) more than 200 linguistic groups within the UK might qualify.

Given the gravity of ethnic conflicts, the fragility of new democracies, and the need for legal remedies as an alternative to violence, these objections seem rather frivolous. Is Britain determined to fiddle while eastern Europe burns?

Brazil's constitution has slowed economic growth, says Angus Foster. Reform is in sight

Fresh feather in their caps

Five years after adopting a new constitution, Brazil's congress today sits down to discuss important changes to a document now blamed for some of the country's most serious problems. If adopted, the changes could help stabilise the country's economy. If not, the government's attempts to tackle inflation of almost 2,000 per cent a year are unlikely to succeed.

Many of the ideals behind the 1988 document were admirable, but have proved unrealistic for a developing country such as Brazil. The constitution was designed to reverse a process of centralisation imposed during 20 years of military rule, and restore individual rights. Instead, it reflected the utopian dreams of its drafters and now looks awkwardly socialist and nationalist in character.

To entrench workers' rights, the constitution imposed a country-wide minimum wage, ruled that public employees could only be sacked through the courts, and forced through a retirement system based on length of service, which let female teachers retire after only 25 years' work.

Five years later, the minimum wage is driving employers in the poorer, northern half of the country to hire and fire through the informal economy, outside the government's tax net. The public sector salary bill has doubled to 11 per cent of the government's creaking budget, and the social security system is nearly bankrupt because more people will soon be receiving benefits and pensions than are contributing.

Mr Mailson de Nobrega, finance minister when the constitution was approved, says the government was powerless to avert these problems because it lacked support in congress. "We could only cry, and pray," he says.

Brazil finally has the chance to address its constitutional weaknesses over the next few months. Except for clauses that guarantee the basic federal structure and individual rights, every aspect of the constitution is open for discussion. Amendments will be passed by simple majority among the combined members of Brazil's congress, the senate and house of deputies.

The most important area for change is the relationship between the federal government, the states and municipalities. The constitution, in a bid to decentralise power and spread wealth to the poorer regions, forced the federal government to transfer more resources to states and municipalities. For example, the federal government's share of total tax revenues fell 10 percentage points to 33 per cent in 1988 as a result of the changes.

But there was no corresponding decrease in the federal government's responsibilities, and it remained burdened with spending commitments in areas such as schools, health and public services.

Transfers to states and municipalities and wage bills accounted for 70 per cent of the federal government's revenues last year, while a further 17 per cent went in interest costs on its debt. As a result, the government could only fund its commitments by borrowing at high, short-term interest rates and printing money, both of which are highly inflationary.

The constitution also made compulsory the earmarking of certain expenditures. For example, 18 per cent of total tax revenues has to be spent on education. These rules make government efforts to cut its budget deficit difficult and will have to be relaxed for the revision to be successful.

Equally, observers note, resources should be better related to responsibilities. This means the federal government should be allowed to claw back some transfers, or the states and municipalities should assume more responsibilities.

"We have to get a fair sharing of revenues and expenditures to restore feasibility to the federal government and tackle inflation," according to Mr Nobrega.

Persuading congress of the need for fiscal reform will be tricky, especially since the largest political party, the Party of the Brazilian Democratic Movement, is suspicious of the intentions of Mr Fernando Henrique Cardoso, finance minister. It fears that he is planning a "shock" economic plan, the fifth since 1986, which could bolster his chances of running for president next year.

The biggest obstacle to constitutional reform will be the states, which would suffer through either smaller transfers or more spending commitments. For this reason, the government is likely to call for a political consensus to make the sacrifices necessary to solve the federal budget deficit.

"Without a political pact on how to distribute resources, you won't get the ball rolling. You won't do much by simply changing the rules of the constitution," according to one minister.

The chances of reaching such a pact are mixed. There is widespread support for the revision process in congress but it is opposed, sometimes violently, by a coalition of leftwing and church groups which fears workers' rights are at stake. Although this group only involves about 25 per cent of congress, it can delay progress and has threatened to challenge the revision through the courts.

Perhaps more important, the coalition government of President Itamar Franco is weak and seems unlikely to be able to generate enough support within congress for the more unpopular measures that are needed, including thorough fiscal reform. With only a year before presidential and congressional elections, there is a danger some members of congress will place their re-election interests ahead of those of the government's budget.

Mr Roberto Campos, federal deputy for Rio de Janeiro and a leading critic of the constitution's weaknesses, is cautious about what the revision can accomplish. "It can't worsen the constitution, and that's the only cause for optimism," he says.

Areas that could see important change, according to Mr Campos and others, include foreign access to the economy. The constitution discriminated against foreign investment in fields such as mining and transport, and guaranteed state monopolies in petroleum and telecommunications. These are today hindering new investment because of the government's lack of resources.

Following vocal lobbying from organisations such as Fiesp, the Federation of São Paulo Industries, it seems likely the discrimination clause will be dropped and foreign-controlled companies will be allowed once more to exploit Brazil's mineral reserves. It is also possible that Telebrás, the monopoly telecommunications company, will slowly be forced to face private sector competition. Less likely to be questioned is the monopoly over petroleum exploration and refinery enjoyed by Petrobrás. A newspaper poll of congress members at the weekend showed them divided over the Petrobrás issue, mainly for nationalist reasons, and the government appears equally split.

There could also be much-needed reform of the retirement system. Because of generous provisions in the constitution, and special treatment for groups like teachers, there are now some 14.5m Brazilians receiving state retirement benefits and pensions, at a cost of about US$6bn a year. But contributions to the system are too low, and the shortfall has been met with money meant to pay other types of benefit.

The government wants to delay the retirement age, which would be the same for men and women, and privatise some services. However, opposition will be formidable, both inside and outside congress, from groups who see Brazil's retirement system as one of the few successes for workers in recent years.

Progress in these areas will be difficult because of the government's political problems and the unfortunate timing of the revision, one year ahead of elections. Brazil should emerge with an improved constitution but this is likely to remain far from ideal.

As an indication of the difficulties, congress seems split on the constitution's most notorious ruling, that real interest rates should not exceed 12 per cent a year. The clause is widely ignored, but its removal would have important symbolic effect. However, the poll of congress members showed a small majority, 46 per cent to 42 per cent, in favour of keeping the rule in place – probably reflecting popular mistrust of the banks.

LETTERS TO THE EDITOR

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Monetary union in UK no triumph

From Prof D R Myddelton.

Sir, Mr John Szemerey (Letters, October 4) says: "There has been a British monetary union in the UK for years. No one challenges or questions that. Its advantages are so obvious that it is taken for granted."

I notice that Mr Szemerey writes from Belgium. He may not be aware that the pound sterling has lost about 85 per cent of its domestic purchasing power in the last 25 years. This debasement of the currency may have been deliberete government policy. Or perhaps the incompetence of the authorities has frustrated their genuine attempts to maintain the value of sterling. Or maybe it was all just bad luck.

Whatever the reason, the everage annual decline in purchasing power over the last quarter-century of more than 8 per cent a year has caused very serious problems to those on fixed incomes, to the foreign exchanges, to the tax system, and not least to commercial accounting. In each case political interference has exacerbated the problems caused by the government's monetary monopoly.

In short, I can assure Mr Szemerey that the British monetary union of which he is so enamoured has by no means been an unmitigated triumph.

D R Myddelton,
professor of finance ond accounting,
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Instant judge of value

From Dr David Carter.

Sir, I was surprised to learn from your article on the coffee price war ("Fight over a hill o' beans", October 1) that expensive adverts for Nescafé Gold Blend cost as much or more per jar than the coffee beans. However, my colleague's reaction to this news was instant: "That seems fair enough. The adverts are better than the coffee."

David Carter,
7 Abbey Road,
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Case for ITV rules change 'flawed'

From Mr Louis Sherwood.

Sir, Central Television's chairman, Leslie Hill, says he thinks those pressing for changes to the ITV ownership rules have won the commercial argument (UK Company News, September 30). Not so. The fact is that the amazing array of ever-changing "commercial" arguments put forward by those pushing for change has been found to be hopelessly flawed. Their logic has been questioned by the City, politicians from all parties, the regulator in the shape of the Independent Television Commission, and many others.

Mr Hill refers to the "commercial logic" of these arguments. They are anything but logical. Try this one for size: "Only by joining together can ITV defend itself from foreign takeover." Yet, allowing ITV to group into two or three companies would actually make it easier for foreign predators to take over ITV. Where's the logic in that one!

We have also been told of the "commercial logic" of the imaginary £100m savings through takeover and of the four-companies-could-run-ITV-better-than-15 routine. And, finally, there is the cry that ITV will go broke in the face of competition from satellite, in flat contradiction to the relatively optimistic tone of recent reports from the boards of individual licensees.

There is now a clear majority of ITV companies rejecting ownership rule changes. Each company has a board of directors responsible to its shareholders, and we at HTV certainly do not accept that the commercial argument has been won. Quite the opposite. Despite the fact that the burden of proof should fall on those who seek to change the existing regulations, the arguments in favour of change are weak and superficial – but potentially dangerous in their consequences.

Louis Sherwood,
chairman,
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Goode proposal unworkable

From Mr David Parsons.

Sir, There is a fundamental flaw in the reasoning behind the Goode Committee's proposed minimum solvency requirement for occupational pension schemes ("Big pensions reforms urged", October 1). Owing to the different investment profiles needed for ongoing pension schemes and for transfer value calculations, generally equities and gilts respectively, it is obvious thet in the long term the proposed minimum funding requirement will nearly always exceed the projected accrued liability on a prudently assessed basis. This is eimply due to the lower expected level of returns on gilts. This goes against what appears to be common sense, but it is a fact of life.

The result of having to maintain such e solvency standard is likely to be a need for less volatile and lower yielding investments than are currently used, thus increasing the financial inefficiency of pension provision in this way. In fact, final salary pension schemes could become as inefficient and expensive as money purchase schemes.

A further problem is that, if trustees wished to continue to have an efficient investment policy, the required margin in the funding target to ensure that the solvency requirement causes few difficulties would lead to an excessive level of funding under the surplus regulations.

Let us hope that this is one area where common sense will prevail.

As I identified in my presentations at the Institute and Faculty of Actuaries' convention in Harrogate last month, a rigorous minimum funding standard such as is proposed by the Goode Committee would be unworkable in practice.

David Parsons,
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Investment risks and rewards

From Mr Peter W Stanyer.

Sir, The Risk and Reward column of October 4 ("Setback for active quentitative fund management sector") suggests that quantitative investment management techniques give rise to new problems for performance measurement of investment portfolios.

In fact, there is little reason for doubting that greater accuracy in performance measurement should be a normel by-product of quantitative investment approaches.

To suggest otherwise really is rather controversial.

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Shop front needed for design

From Mr Peter York.

Sir, Your report on the break-up of the Design Council ("Design Council break-up decided by government", September 24) and Christopher Lorenz's accompanying article ("The Design Council on e crash diet") confirm that government is anxious to maintain a design consultancy and an educational role. However, there is no mention of salvaging the considarahla and largely self-financing promotional activity the council used to undertake on behalf of British manufacturers in the Design Centre and overseas.

The trade and industry minister correctly euggests that "design as a subject needs to be moved into the meinstream". Nothing can be more "mainstream" than getting British design into the marketplace. This more than anything determines whethar designs are commercially relevant and experience of market factors is an essential design ingredient.

There is little point in indulging our aptituds for creating innovation whila neglecting to exploit inventive achievements. We need trade and industry and therefore to rescue the Design Centre shop front and not just the back room of design consultancy.

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FINANCIAL TIMES
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Wednesday October 6 1993

Cultural imperialism

THE IDEA of Catherine Deneuve engaging in hand-to-hand combat with The Terminator on the world's cinema screens may seem far-fetched, even by Hollywood's standards. However, it is a fitting metaphor for a source of conflict which is increasingly exercising US and European Community negotiators as they seek to clear the remaining obstacles to a world trade agreement.

At issue are plans to liberalise international trade in audio-visual services, chiefly films and television programmes. Though promoted largely by the US, such an agreement is also favoured by Sir Leon Brittan, the EC trade commissioner, who wants the Uruguay Round to cover as many services as possible.

However, negotiations have hit a stumbling block in the form of French demands – which have won support in some other parts of the EC – that audio-visual services be exempted from the round. Protesting that liberalisation would sweep away Europe's last defences against a flood tide of American mass-market entertainment, France argues that culture is too important to be abandoned to the free market.

It would be absurd if the dispute were allowed seriously to threaten a world trade deal. Not only are the economic gains and losses at stake relatively minor; the central issues in the debate have been obscured by the exaggerated rhetoric and claims of the protagonists. As a consequence, economic and cultural principles have become unnecessarily confused.

Cultural identity

France's case deserves sympathy, up to a point. It is not the only country concerned with maintaining its national cultural identity in the face of an international mass-media barrage. It also has an understandable interest in seeking to keep alive the only sizeable film production industry left in Europe. That this has only been possible thanks to special levies and subsidies should not be a matter of great concern. After all, other performing arts, such as music and theatre, are subsidised everywhere in the world.

It may be objected that films are different because they are traded internationally. However, it is hard to argue that state support seriously distorts competition in a business where financial viability is determined far more by audience size than by production costs. In pressing for an agreement to curb subsidies, the US is tilting at windmills.

A far greater obstacle to free trade is the EC's four-year-old restriction on the proportion of programming from outside the Community which may be broadcast on national television networks. Though technically non-binding, these are widely observed. France has gone further, legislating even stiffer restrictions on domestic broadcasters. That is the target on which the US should focus its attack.

Defeatist argument

Defenders of European quotas say they are needed to prevent the market being swamped with cheap US programmes, the costs of which have already been covered by sales to their large home market. That is a defeatist argument which ignores the fact that US programme makers owe much of their success to effective marketing and distribution in the EC, which local rivals have failed to match.

The principle of applying a local content test to films and television programmes is, in any case, a logical nonsense. What is it supposed to measure in an industry where capital, talent and production resources flow freely across frontiers and are drawn from an increasingly wide range of international sources? Should the output of the MCA studios, located in Hollywood but owned by Matsushita, count as American or Japanese?

But the strongest argument against quotas is that they are a form of censorship. That is not only objectionable in itself. It amounts to self-delusion by governments at a time when public service broadcasting channels face growing competition from newer media such as cable, satellite and video systems.

How these media should best be regulated is a legitimate policy concern, which lies outside the scope of the Uruguay Round. For the moment, the priority for the US and the EC should be to sweep away unnecessary and economically damaging impediments to audio-visual trade.

Crime and punishment

LAW AND order is one of the themes the Conservative party has chosen to highlight at this year's annual conference in Blackpool. Traditionally, the electorate has seen the Conservatives as the party which is toughest on crime and criminals. But Mr Tony Blair, Labour's home affairs spokesman, has been skilfully exploiting the government's failure to halt the rise in crime. The prime minister is keen to win back the initiative.

Much, therefore, is expected of Mr Michael Howard, the home secretary, who will reply to the conference debate on law and order later today. The record he must defend is not impressive. Since 1979 the number of crimes reported has doubled while the clear-up rate, the proportion of crimes solved, has fallen from 41 per cent to 26 per cent. Confidence in the criminal justice system is low, according to the opinion polls. Yet the UK continues to send a higher proportion of the populace to prison than almost any other country in the Council of Europe.

The mood among constituency representatives is likely to be in favour of stronger measures to fight crime. Mr Howard may be tempted – like some of his predecessors – to announce high-profile initiatives that appear to address current concerns. Juvenile offenders who are out of parental control can expect harsh words. So can persistent offenders who are undeterred by repeated police cautions when they are caught.

Overburdened courts

But the home secretary would be wise to recall the fate of earlier nostrums such as the Dangerous Dogs Act and the Aggravated Vehicle Taking Act. The former has added greatly to the burden of the courts, while the latter has done little to stop joy-riding or the death and injury associated with it. The failure of such well-publicised measures further erodes public confidence in the ability of the system to curb crime. It would be much better for Mr Howard to address his bulging in-tray which is full of well-considered plans for reforming the system.

At the top of the pile is the report from Sir Patrick Sheehy on police pay and conditions. This contains a plethora of suggestions for rooting out restrictive practices in the police service and improving its performance. The report has produced a ferocious campaign of resistance among the police staff associations, sundering the close relationship the Conservative government has enjoyed with the police since 1979. Ensuring that its main thrust is achieved without forfeiting police goodwill will require all Mr Howard's skill and finesse.

Prison service

Also needing care and attention is the government's programme for modernising the prison service. The creation of a competitive private sector in prison management offers the prospect of improvements in the prison regime and lower costs for the exchequer. But a sudden surge in prison numbers could lead to overcrowding which would undermine both objectives. The cost of a conference promise to send more convicted criminals to prison and to make their life harsher could be expensive indeed.

Finally, Mr Howard must make his mind up on the recommendations of the Royal Commission on Criminal Justice, where he faces apparently contradictory pressures. On the one hand, he needs to re-establish confidence in a system damaged by a series of miscarriages of justice. That suggests steps that might make it harder for convictions to be obtained. On the other hand, he must deal with concern over the failure of the system to punish those who are palpably guilty. That suggests making convictions easier to obtain.

In practice, the chances of conviction are best improved by making miscarriages less likely to happen. Juries that have no confidence in the fairness of the criminal justice system will be reluctant to convict. The flow of information upon which crime solving depends also relies on improving the relationship between the police and the public.

Low-key measures to achieve these aims may not win conference acclaim, but they offer the best chance of making an impact on crime levels by the next election. Restoring the effectiveness of the criminal justice system requires a long-term strategy rather than quick fixes.

A rose by any other name

Guy de Jonquières examines the malaise affecting several product brands as consumers switch to private-label lines

Since Philip Morris, the US tobacco company, stunned Wall Street six months ago by slashing the price of Marlboro cigarettes in the face of sliding sales, manufacturers of other consumer products, from chocolate to toothpaste, have anxiously protested that such a catastrophe could not happen to their brands.

Yet the humbling of Marlboro increasingly looks like one, particularly dramatic, symptom of a wider malaise afflicting consumer goods industries. On both sides of the Atlantic, many branded products continue to lose share to retailers' cheaper private-label lines. With prices under pressure, manufacturers everywhere are relying heavily on cost-cutting to bolster profit margins.

Recession, the growth of more powerful retailers and "value-conscious" consumer attitudes are often held responsible. However, the search for culprits has recently found another target – the marketing skills which most consumer products manufacturers have long considered the bedrock of their business.

Even the industry's harshest critics agree brand leaders such as Coca-Cola, Gillette and Kellogg, and some smaller players, such as Britain's Cadbury-Schweppes and Ferrero of Italy, remain models of excellence. But in other companies, the austere climate of the 1990s is exposing underlying weaknesses which were masked by buoyant consumer spending and steadily rising profits in the 1980s.

Professor John Quelch of Harvard Business School, a marketing expert and adviser to companies including Mars, Nestlé and Procter & Gamble, blames complacency. "Consumer products manufacturers tend to think they are the fount of all marketing wisdom. But in reality many have become excruciatingly myopic and arrogant," he says.

Similar criticisms have been levelled by McKinsey, the management consultancy, which has many leading consumer goods companies as clients. In a hard-hitting article entitled "Marketing's mid-life crisis", two of McKinsey's European directors say consumer marketing has grown ineffective and needs to be radically rethought.

Some industry executives agree. Mr Crispin Davis, a former top marketer with P&G who now heads United Distillers (UD), Guinness' spirits division, says: "Much consumer goods marketing has not been nearly as good as it should have been."

The situation is even worse than it appears, he says, because in some companies marketing spending has lagged sales growth in the past decade – or even fallen in absolute terms – while a growing share of it consists of price discounts to retailers.

In the US, such attitudes appear so prevalent that the lead article in the current Harvard Business Review argues, as if reporting a recent discovery, that companies which invest consistently in marketing over a long period earn better returns than those which insist on quick results.

Marketing departments ara increasingly faulted, often within their own companies, for taking their eye off the ball. McKinsey blames creeping bureaucratisation: it estimates that the typical department in larger companies spends 80 per cent of its time on routine administrative chores and only 20 per cent working on product innovation stratagy and ways of serving retailers and consumers better.

If that sounds reminiscent of companies such as General Motors and Philips a decade or so ago, it may be partly because consumer goods producers have not been exposed to the Japanese export competition which has forced so many other western manufacturing industries to slim down, restructure and re-examine their approach to customers. Of Japan'a consumer goods companies, only cosmetics maker Shiseido and drinks companies such as Asahi and Suntory have made mnch effort to expand abroad.

Japanese competition has, however, found a proxy in the retail trade. As the power of big supermarket groups in many countries has increased, they have not only driven harder bargains with their suppliers but are increasingly challenging their traditional franchise with consumers.

The threat is coming from two main directions. One is the rapid growth of aggressive discount retailers, such as Aldi of Germany and and US warehouse "clubs" such as Costco. Though many offer only limited grocery ranges, their high volumes, thin margins and low costs result in exceptionally cheap prices which are challenging the traditional marketing strategies of both manufacturers and other retailers.

A potentially even more menacing development is occurring at the other end of the market, due to the growing sophistication of private-label ranges. These were long dismissed by manufacturers as commodity products or inferior imitations which sold purely on price – much as Detroit derided early car exports from Japan. Yet in several countries private-label lines are now taking on established brands on their own terms.

In tha US, private-label has recently eaten into high-margin categories once held to be impregnable, such as breakfast cereals, cookies and beauty products, and many consumers now rate its quality equal to that of manufacturer brands. In the UK, where private-label is stronger than in any other country, it dominates some newer markets for fast-growing premium products, such as chilled recipe dishes.

Out of these developments, a new battlefield is emerging. Manufacturers have gradually recognised that their struggle with retailers is no longer simply over prices and shelf space but over the essence of their competitive advantage – brand strength and the profit margins which go with it.

The trend has been particularly pronounced in Britain, where supermarkets' success in fattening margins by moving private-label upmarket in the 1980s has recently inspired similar efforts by some North American and continental retailers.

J. Sainsbury and Tesco, the two biggest chains, now rank among the 10 most heavily advertised UK brands – ahead of those of almost all their suppliers – whila their marketing emphasises image and intangible benefits such as quality, service and value, as well as individual product lines.

> **'Consumer products manufacturers think they are the fount of marketing wisdom. But many are myopic and arrogant'**

Whether that repositioning will prevent them losing sales to "hard" grocery discounters is uncertain. But the big supermarkets' efforts to place private-label on a par with manufacturer brands seems likely to continue thanks to two strengths, also shared by ratailers such as Marks and Spencer and Boots.

One is investment in highly efficient distribution systems and stringent product and quality control standards, which sometimes exceed those of branded manufacturers. The other is unmatched access to immediate information about consumer purchasing patterns.

Retailers have no clearer idea than branded manufacturers how housewives will behave tomorrow, or why. But they know far more about what they bought yesterday, thanks to the reams of data churned out by their point-of-sale systems.

That offers a big advantage in bringing new products to market. Whila manufacturers have to spend months test-marketing innovations and large sums to market them, anparmarkets can expariment cheaply at low risk by stocking their shelves with goods developed to their specifications and watching how they sell.

Faced with these challenges, how can branded manufacturers regain the initiative? Some hava sought to turn from confrontation to co-operation with retailers. The trend was pioneered hy an informal partnership between P&G and Wal-Mart, the large US discount chain, and has been emulated by other manufacturers such as Mars and Coca-Cola.

Such arrangements aim to increase both partners' sales and manage the supply chain more efficiently by sharing information. Their success may depend, though, on manufacturers being undisputed brand leaders which can offer retailers in-depth product market expertise. Even where that is the case, the apread of such partnerships is still inhibited by mutual suspicion and hostility, particularly in Europe.

> **Black Label scotch sold poorly in Greece as status-conscious drinkers thought the bottles could not be seen in night clubs**

But the tougheat challenge remains to come up with products which consumers really want to buy. Though recession has made low price the overriding concern for some consumers, there is plenty of evidence that many are ready to pay a premium if they are really convinced they are getting something special for it.

Few producers have found it easy to come up with such products in recent years, despite a frenzy of new product launches. There were 11,500 in the US food industry last year, double the number in 1985. However, many involved minor brand extensions, cosmetic packaging changes and copycat products.

There is a growing belief in the industry that such tactics have proved counter-productive by cluttering supermarket shelves with similar goods and heightening consumer scepticism towards advertising claims.

Some manufacturers now accept that a bigger effort is needed to raise the standards of new products and differentiate them from the competition, by focusing development more tightly and concentrating more marketing resources behind fewer brands. That, in turn, is prompting a rethinking of management and marketing methods.

Unilever, tha Anglo-Dutch group, has radically restructured Elida Gibbs, its UK personal products subsidiary, by abolishing traditional management divisions and creating teams which co-operate at every phase of the product cycle, from research to sales. Kraft General Foods, part of Philip Morris, is also experimenting with teamwork in an effort to beef up product development and marketing in Europe.

But the benefits of such reorganisation also have to be effectively communicated to consumers. That is an issue on which opinions differ sharply. Unilever, for instance, stoutly defends the virtues of classic mass-market advertising. But Nestlé of Switzerland, the world's largest food group, is far more sceptical.

Mr Peter Brabeck, Nestlé's chief marketing strategist, believes the growing power of retailers, the fragmentation of television media and more sophisticated shopping habits have made it increasingly hard to influence consumers: "People today don't just act because someone tells them something," he says. "You have to find a way to communicate which is believable and relevant to them."

One option favoured by Nestlé and a growing number of other companies is to resort to more direct channels of communication. With the aid of detailed databases about shoppers, they hope to encourage loyalty by rewarding regular customers and informing them directly of new products and special offers.

Some industry experts say, though, that what producers really need to do is to listen more. A survey by Professor Quelch found that US consumer brand managers typically spent only three per cent of their time in face-to-face contact with buyers of their products and relied for most of their information on numerical market research data.

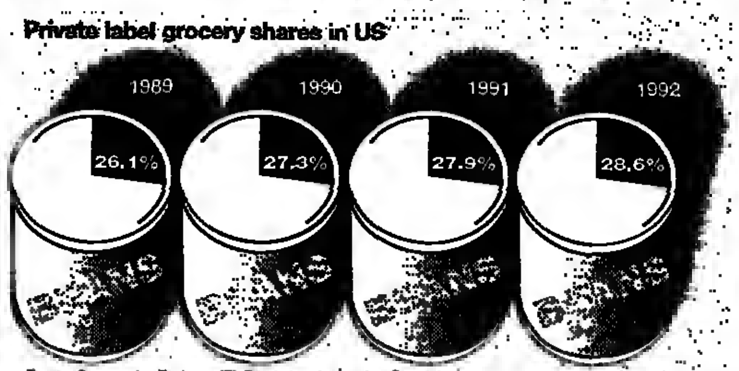
"Most companies are not spending enough time really understanding consumers," says Mr Davis of UD. He says some of his most useful market research is done on Saturday mornings, when he regularly visits his local supermarket to watch shoppers in action. He has also arranged for his managers to spend evenings serving at bar counters.

One recent result was the discovery that Black Label scotch was selling poorly in Greece because status-conscious drinkers thought the bottles could not be seen clearly in dark night clubs.

Successful marketing has always required fanatical attention to such apparently trivial details. If brands have lost some of pulling power, it is because too many producers have forgotten that their value depends largely on finding out what consumers want and giving it to them at the right price. In that sense, their biggest challenge is to get back to basics.

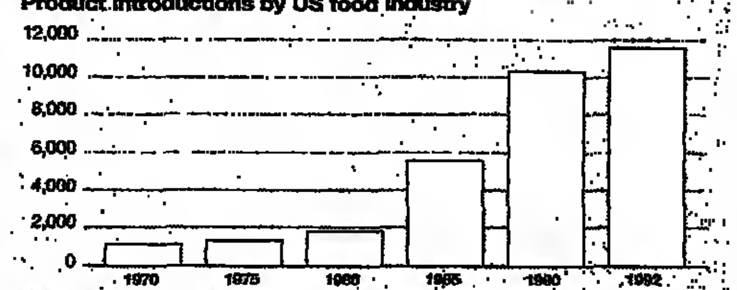
Brand names: beans doesn't always mean Heinz

Private label grocery shares in US



Source: Supermarket Business, IRI, Private Label magazine, Euromonitor

Product introductions by US food industry



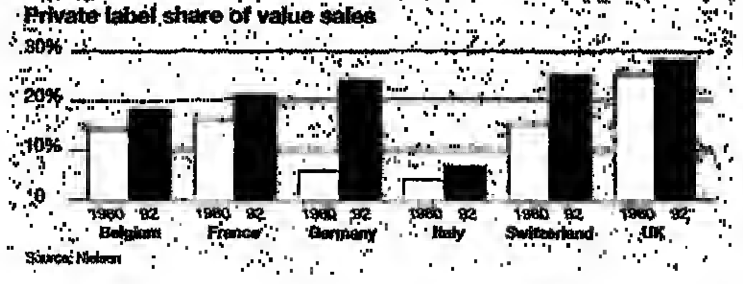
Source: Gorman's New Product News

Development of discounters in Europe

	Share of food sales by value, 1992	Sales 1992 - Ecu bn	Increase over 1991
Belgium	19%	2.41	6.6%
France	2%	2.19	100.9%
Germany	25%	24.4	11.4%
Netherlands	11%	1.71	30%
Spain	6%	1.1	7.8%
Sweden	[illegible]	[illegible]	[illegible]
UK	8%	4.62	32.4%

Source: Nielsen

Private label share of value sales



Source: Nielsen

OBSERVER

Branching out at Delta

■ What would Sir Martin Jacomb, chairman of the British Council and Postel Investment Management, deputy chairman of Barclays Bank and the Commercial Union, non-executive director at Marks & Spencer *et al*, want with a non Footsie company involved in power cables, circuit protection and extrusions?

Sir Martin, who turns 64 next month, was yesterday named chairman designate of electrical engineer Delta, "a very fine little company" which interests him given the "vital importance of the manufacturing sector at this juncture".

A distinguished City grandee, Jacomb was obviously wooed by Delta for something other than his skills in electrical engineering. As chairman of BZW, he knew the company well, though it was not until after he stood down from the BZW post, in 1991, that Delta changed its merchant banking advisers from Kleinwort Benson to BZW.

He certainly fits into a line of rather pukka Delta chairmen – and luckily has the right school-tie. Lord Caldecote, Delta chairman for a decade from 1972, is an old Etonian, as is outgoing chairman Geoffrey Wilson, who is the son of Lord Moran, Churchill's doctor. Jacomb was in the same year at Eton as Wilson, although the two only got to know each other much later.

If Jacomb seems to have his plate full already – he is also on the board of the Daily Telegraph and RTZ – it could well be that the Delta job presages a shift away from other commitments.

Now that the top job at Barclays has been split, and Martin Taylor brought in as chief executive, it may be that Jacomb will not tarry long on the clearing bank board.

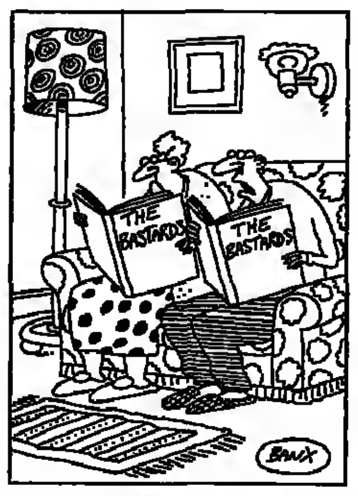
Young advice

■ The Tories love gossip as much as anyone. But a topic cropping up rather more than most at Blackpool is whether John Major may be about to ring the changes in the ranks of his leading advisers.

One thought is that David Cameron, the home office special adviser who will be 27 this Saturday, might be in line to replace the somewhat older Gus O'Donnell, 41, in the press secretary's hot seat.

The helpfully courteous O'Donnell, a successful economist, has long made it clear he does not see his current job as the pinnacle of his career. He could well return to the Treasury – also a previous home of Cameron – for the right job.

Cameron is clearly a survivor; he was one of Norman Lamont's special advisers, but Lamont's sacking left Cameron unscathed. He also combines amiability with a cool head and a firm hand – not a bad set of attributes for tough times ahead.



'Still, it makes a change from Trollope'

Fictional friends

■ If nothing else, John Major will one day leave behind him a lasting curiosity; what on earth did he see in that dreary late Victorian novelist Anthony Trollope?

But Trollope is a terrific cure for insomnia, so the prime minister has probably packed some of his 50 or so novels to help him get a few good nights' sleep in Blackpool this week.

It must be hoped, though, that Major'a advisers will steer him clear of one particular edition of The Prime Minister, Trollope's novel dealing with that by-now probably extinct breed, the Liberal party prime minister.

For in the Oxford edition of 1973 the preface describes Trollope'a prime minister as having "no clear idea what to do with himself and with his colleagues". The hero is delineated thus: "A virtuous, dutiful, sensitive type, easily offended as well as easily wounded. Above all, completely without any ideas about policy . . ."

At least there's no mention of bastards.

Rectoress

■ The fightback has begun. After more than a decade of men colonising the fellowships and student intake of Oxford's former women's colleges, a woman has finally been elected to head one of the university'a former male preserves.

Professor Marilyn Butler, elected yesterday as Rector of Oxford's Exeter College, is currently King Edward VII professor of English literature at Cambridge.

Her husband is David Butler, the renowned academic psephologist. While he became a household name in the 1960s, she was bringing up three children at the same time as writing the doctoral thesis that launched her academic career.

Given the inter-college battle for her services, Butler may be the first of many female heads of House. Both Merton and Keble Colleges approached her before the summer, but Exeter came up with a definite offer while the other two were on collective vacation.

Food for thought

■ The London Business School has responded to Observer's appeal for names of suitable guests to be invited to tonight's private dinner in Blackpool for Lady Thatcher.

It has just published the results of a poll of its latest intake of MBA students, which asked the budding business brains which three people they would most like to wine and dine.

The exercise – part of the admissions procedure – is not entirely frivolous; it's designed to reveal something about the character and interests of the candidates themselves.

Two of the three "winning guests" – Richard Branson and Mikhail Gorbachev – might be appropriate dinner companions at tonight's bash. The other one, Leonardo de Vinci, is unfortunately unavailable.

Also popular were Jesus Christ, Einstein and Margaret Thatcher herself. At the other end of the scale were Hitler, Rommel and Jeffrey Archer.

FINANCIAL TIMES
Wednesday October 6 1993

Confidence abounds in Greek socialist camp

Papandreou already discussing social contract

By Kerin Hope in Athens

GREECE'S opposition socialists are so confident of victory in Sunday's election that they are already discussing the outline of a "social contract" with workers and employers.

Early in the campaign, Mr Andreas Papandreou, leader of the Panhellenic Socialist Movement (Pasok), held a well-publicised meeting with members of the Confederation of Greek Industry. This took place several days before his scheduled talks with trade union and agricultural co-operative leaders.

"There has to be a social partnership. If we're to bring down inflation, there must be agreement on wages, and not just for a single year. But we also need a framework for holding prices down," said Mr Gerasimos Arsenis, Pasok's economics spokesman.

Polls show the socialists maintaining the 3-5 percentage point lead they held at the start of the campaign. Even if Pasok's lead over the conservative New Democracy party were to shrink to 1 percentage point, as smaller leftwing parties gain support, Pasok would still win an outright majority because the electoral law heavily favours the front-running party.

Much has changed since Pasok's first term in office in the 1980s when Mr Arsenis, then economy minister, was given a mandate to nationalise several of Greece's big private companies through forced capitalisations of debt owed by state-owned banks.

The result was a prolonged freeze on private sector investment, contributing to a significant loss of competitiveness in Greek industry just as the EC single market approached. This time, Pasok economists assert, the emphasis would be on promoting development, but not at the expense of fiscal discipline imposed by the conservatives, which has brought the government borrowing requirement down from around 17 per cent of gross domestic product in 1990 to 8.7 per cent last year.

Mr Papandreou has avoided disclosing details of his policy plans beyond calling for "a crusade against inflation". However, he has pledged that a socialist government would not devalue the drachma, introduce new taxes or continue the conservatives' privatisation programme.

Privatisation revenues this year were forecast at Dr330bn ($1.41bn) from the projected sale of 49 per cent of the state telecoms monopoly, together with management rights, and of two oil refineries. The socialists say public utilities will remain under state control, but do not rule out floating some state enterprises on the Athens stock exchange.

Pasok's promises raise questions about how the party would cope with a revenue shortfall this year that the conservatives admit could reach Dr800bn, equivalent to 6.5 per cent of GDP. The socialists claim that the shortfall, mainly caused by slower than expected growth in tax receipts, together with the government's failure to improve collection of tax arrears, could reach Dr1,000bn by December.

Under the circumstances, a Pasok government would have little margin for rewarding voters by raising public sector wages, frozen for the past three years, or increasing pensions. Moreover, the campaign against tax evasion, estimated to cost the government more than Dr350bn a year in lost revenues, would have to be stepped up. The socialists' commitment to meeting the Maastricht targets for economic convergence rule out a return to the free-spending habits of the 1980s, which helped push the public debt up to 116 per cent of GDP last year.

There is little room for manoeuvre as Greece will be unable to meet this year's convergence targets. The growth forecast has already been halved to 1 per cent of GDP, and inflation for 1993 will remain at about 12 per cent, against a target of less than 10 per cent.

While there is no official link between Maastricht and transfers from EC structural funds, Mr Papandreou is well aware that if the economy starts slipping backwards, Greece's partners will call for restrictions on payments.

Delays in drawing down structural funds are likely in any case. A socialist government would renegotiate a sizeable chunk of the Delors II package, expected to provide Ecu20bn ($23.4bn) in EC cofinancing for infrastructure projects over the next six years.

Schedule for EC expansion in danger of slipping

By David Gardner in Luxembourg

THE European Community yesterday said it was sticking to its optimistic schedule of bringing Austria, Sweden, Finland and Norway into membership by January 1995, just as it became clear at ministerial negotiations in Luxembourg that the hardest part of the enlargement talks has yet to begin.

EC foreign ministers said they expected the negotiations with the four applicants to be concluded by next March at the latest for entry by 1995. They have called an extra ministerial session with the four for next month to try to make this date feasible. Privately, however, EC officials acknowledge that dates may slip. A conclusion by March would in any case be very tight, since all four countries have to hold referendums on entry.

"It's a question of political will," one EC negotiator said. The applicants also needed to define "a decent period of resistance" to EC demands, because their increasingly Eurosceptical electorates might see their governments as pushovers if contentious issues were settled too quickly.

So far, Sweden is top of the class, having closed 10 of the 29 negotiating chapters for accession. Norway, which joined the negotiations some months after the others started in February, has only settled seven chapters.

The areas agreed concern issues such as company law, social policy and freedom of movement for workers. They mark the conclusion of a second round in the talks, after the four-month review of applicants' national legislation which concluded in June.

In the third round, the Commission is expected to come up with draft proposals to resolve the most difficult issues in the next four to six weeks. All four want special regimes to continue paying lavish subsidies to their Arctic or alpine farmers.

They also want to retain restrictions on foreigners buying holiday homes in their countries and to keep their generally higher environmental standards, which the EC may argue could constitute barriers to trade.

Norway has also made clear it intends to keep control of its rich fisheries and energy resources, while Austria wants to carry over an existing treaty which regulates the flow of EC trucks through its alpine passes.

If all these issues are resolved, the 12 and the four still have to agree on how the applicants fit into the foreign policy, security and home affairs arrangements of Maastricht, and on how much they should pay into the EC budget.

Bonn braced for court ruling on Maastricht treaty, Page 3

THE LEX COLUMN

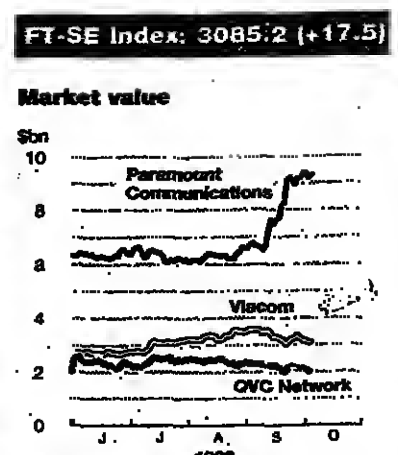
Daimler's new gloss

Given some of the hype which has gone with privatisations in the UK, it is perhaps churlish to jib at the hoop-la which accompanied Daimler Benz's New York listing. Yet the US placing is of primarily symbolic significance. Only a small percentage of Daimler's stock is being sold and much of that to retail investors – presumably in the hope that it will not find its way back across the Atlantic on the next departing Concorde. That hardly provides a market broad and deep enough to raise substantial new capital; Daimler will need to work hard expanding the current New York base if it is to garner significant funds there.

Perhaps that is not the point. There have long been hints that Deutsche Bank is keen to reduce its stake and it may thus be significant that some of its shares are on offer. That is a direct pressure on Daimler's management, since its new shareholders may not be as tolerant of flabby performance as a long-term German partner. It is also an indirect squeeze since the US accounting practices which Daimler has had to follow show just how deep a hole the company is in. Ironically, that shock may actually help Daimler's board market an aggressive retrenchment programme to the company's managers and workforce.

Further cutbacks seem inevitable given the car and truck division's bloated cost base and the less than scintillating performance of the businesses acquired in the drive to diversify. Whether the company is moving fast enough in that direction is, however, a moot point. More radical surgery may be needed if US investors are to help fund a future rights issue at anything like the current price – especially when one notes that US carmakers sell at almost a third the rating of sky-high Daimler.

FT-SE Index: 3085.2 (+17.5)



UK housebuilders

The latest confusing house price figures from the Halifax illustrate the difficulty of trying to assess the health of the housing market. Part of the trouble is that no-one can remember what a "normal" market should feel like, given the mind-bending experiences of recent years. The monthly comparisons are vaguely disappointing, the annual comparisons encouraging. Yet it should be remembered that last September, many house owners thought the UK economy had just fallen off the edge of the world as interest rates – momentarily – shot skywards. Nevertheless, the survey confirms the anecdotal impression that the housing market is gently drifting upwards, although not sufficiently quickly to have a significant impact on the prices either of houses or the materials used in their construction. Turnover remains muted for a variety of well-rehearsed reasons: the threat of unemployment has not abated; the negative equity trap still grips many; looming tax increases are unsettling confidence; real income growth remains depressed.

Such a backdrop must be beginning to worry those investors who have bid up the construction and building materials sectors so enthusiastically. At present, the market seemingly wants to have it both ways on inflation. It partly justifies housebuilders' high P/E ratios because of the historically low cost of money which it believes will stimulate the market. But it conveniently overlooks the fact that the anticipated earnings recovery for housebuilders will crucially depend on the return of house price inflation.

Paramount

Despite its denials, Viacom's recruitment of a star-studded cast of investors clearly suggests the entertainment group is preparing to boldly go where no bidder has gone before in its quest for Paramount Communications. With the rival QVC Network now trying to prove the colour of its money to the Paramount board, the need has become more urgent. The near-$2bn contributions from Blockbuster and Nynex – as well as the share price-boosting impact of their involvement – should at least enable Viacom to match QVC's higher $9.5bn offer.

But although the help of additional investors greatly strengthens Viacom's financial cause, it will considerably complicate the managerial challenge should its preferred bid succeed. Both Blockbuster and Nynex will have strong views about what to do with Paramount. A similar worry also besets QVC following its recruitment of allies. Given the strained finances and fuzzy industrial logic of both bids, it is tempting to think a more strongly capitalised media giant will enter the fray and sweep up the prize. It is, however, hard to identify just who this might be.

Amstrad

Amstrad is barely recognisable from the apparently dead-end company Mr Alan Sugar tried to take private a year ago. The dividend has been restored, albeit at a modest level. Cash amounts to very nearly 30p a share, the price at which Mr Sugar pitched his offer. Even allowing for the seasonal demands on working capital, Amstrad has £100m to invest in new projects. That alone justifies the shareholders' decision to reject Mr Sugar's proposition. How he and the new chief executive choose to use this financial muscle will determine how much more than the offer price Amstrad is worth.

The acquisition last month of Dancall, the Danish mobile phone manufacturer, provides an opening into cellular telephony. Like home computers and satellite dishes, digital mobile phones look like a technology on the verge of a mass market and therefore susceptible to the Amstrad treatment. Since the big service providers are paying subsidies to keep the retail price of digital hand-sets down, a low-cost manufacturer might expect a fair hearing. Whether that would extend to giving Amstrad a share of subscription revenues – as Mr Sugar hopes – is more doubtful.

Either way, the project turns on Amstrad undercutting established manufacturers such as Motorola and Nokia. Since their operating margins are anything but fat, Amstrad will have to find manufacturing efficiencies or technological short-cuts overlooked by the competition. Given Mr Sugar's record in other markets it would be foolish to dismiss his chances of success. But cellular phones looks a much more difficult target than home computers in the mid-1980s.

Daimler puts on the style

Continued from Page 1

Inside the exchange, Mr Reuter was explaining why Daimler had brought its stock to New York. He pointed out that the group employs 13,000 people at its various US operations, which generate 17 per cent of Daimler's worldwide sales.

Only last week the Mercedes-Benz car division announced plans to build a new plant in Alabama.

In contrast to the ballyhoo outside, Daimler's shares made a low-key start on the trading floor. The shares, traded like most foreign stocks on the NYSE as American Depositary Receipts (each ADR represents one-tenth of a Daimler share), opened in a flurry of trading at $47, but quickly slipped back as business slowed down to $46⅝.

The people gawking at the Mercedes cars outside the exchange were oblivious to the movements in Daimler's share price. "Let's go off in it, just you and me, baby," said one man to his girlfriend as they stood over the red convertible. "Nah", she replied, "I'm taking the helicopter."

Yeltsin begins purge of opponents

Continued from Page 1

chamber of a new parliament.

But Mr Pyotr Philipov, a presidential aide, said Mr Yeltsin was considering whether to dissolve all councils, not just those which had opposed his dissolution of parliament and the calling of parliamentary elections in December.

The aim would be to replace them with councils with less influence over the day-to-day running of regional affairs. Some, but by no means all, councils have been accused of blocking the effective conduct of economic reforms by local administration chiefs.

Mr Yuri Luzhkov, the mayor of Moscow, set the precedent for dissolving local councils when he ordered the abolition of Moscow's city and district councils. As part of the crackdown, he announced that anybody without a Moscow residence permit would be chased out of town or detained for three days.

Muscovites yesterday welcomed the drastic reduction in crime which has accompanied the state of emergency. The Russian Bankers' Union expressed delight with the temporary security given to bankers who have seen colleagues killed by extortion rackets. The police reported not a single car was stolen on the first night of the curfew imposed from Monday night.

Opposition pro-communist parties, banned on Monday, yesterday vowed to fight on, but claimed they would be prevented from registering for the parliamentary elections. Amid confusion about the deadline to register parties for the elections, parties said that there was still no mechanism for registration.

The Russian Communist party, the largest of the parties, disputed that it had been banned and insisted it would operate as normal. Another smaller party, the Committee for Workers Unity, said that its members had participated in the events around the White House, but bitterly blamed Mr Rustskoi for failing to distribute arms to his party members and other "workers".

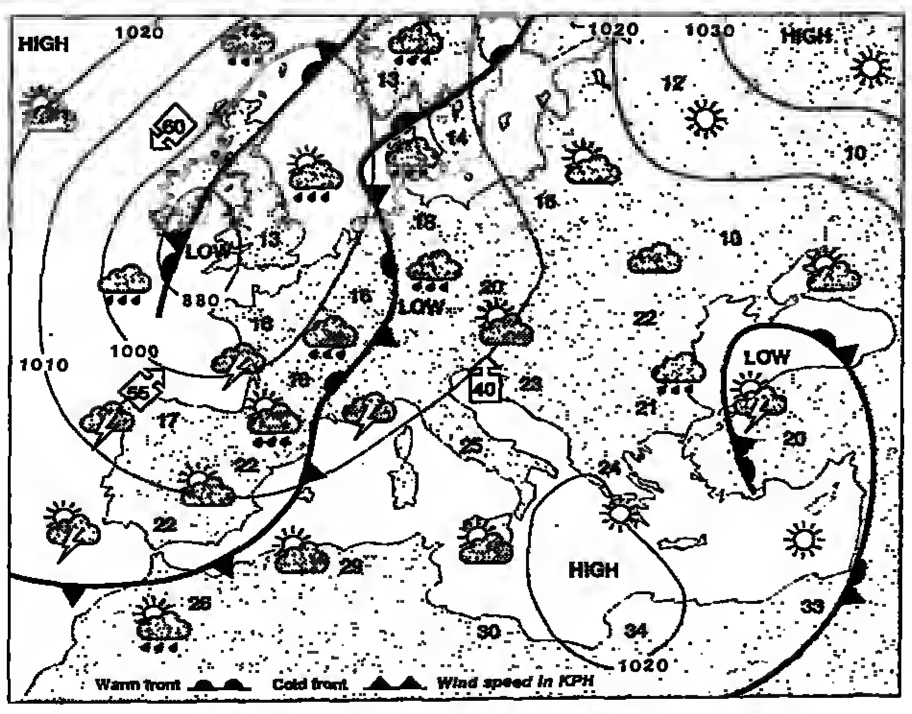
FT WORLD WEATHER

Europe today

A front associated with a low over southern England will bring outbreaks of rain to Scandinavia, especially the south. The Low Countries, Germany, Denmark and France will also be rather cloudy with rain at times. Winds will reach near gale force off south-western France. The British Isles will be overcast with outbreaks of heavy rain, especially over Scotland and Northern Ireland. Gale force winds will lash the coast of Northern Ireland. Spain and Portugal will have thunder showers, but also sunny periods in the east. Eastern Europe will be partly sunny and Greece will have plenty of sun. A low over the Black Sea will bring some light rain to eastern Romania and Bulgaria and thunder showers to western Turkey.

Five-day forecast

The British Isles will remain mainly cloudy with heavy rain at times until the end of the week. However, during the weekend, showers over western Europe dry out. Eastern Europe will have sunny spells tomorrow, but showers will develop by Friday. Greece will remain dry with sunny periods. High pressure will bring sunny spells to northern Scandinavia, but southern areas will be overcast with outbreaks of rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	36
Accra	fair	32
Algiers	fair	29
Amsterdam	cloudy	17
Athens	sun	26
B. Aires	fair	23
B.ham	rain	13
Bangkok	cloudy	33
Barcelona	fair	22
Beijing	fair	23
Belfast	rain	10
Belgrade	sun	26
Berlin	fair	19
Bermuda	cloudy	29
Bogota	shower	16
Bombay	rain	30
Brussels	cloudy	17
Budapest	fair	20
C.hagen	shower	15
Cairo	sun	30
Cape Town	fair	19
Caracas	cloudy	31
Cardiff	rain	15
Chicago	fair	25
Cologne	rain	16
D' Salaam	fair	26
Dakar	sun	31
Dallas	fair	30
Delhi	fair	35
Dubai	sun	36
Dublin	rain	10
Dubrovnik	sun	23
Edinburgh	rain	8
Faro	fair	22
Frankfurt	cloudy	17
Geneva	shower	16
Gibraltar	shower	23
Glasgow	rain	10
Hamburg	rain	17
Helsinki	fair	14
Hong Kong	fair	29
Honolulu	fair	31
Istanbul	shower	18
Jersey	shower	14
Karachi	fair	32
Kuwait	sun	40
L. Angeles	fair	22
Las Palmas	sun	25
Lima	cloudy	20
Lisbon	thund	19
London	rain	15
Lux.bourg	rain	14
Lyon	rain	19
Madeira	shower	23
Madrid	shower	17
Majorca	fair	24
Malta	sun	27
Manchester	rain	14
Manila	cloudy	30
Melbourne	cloudy	16
Mexico City	cloudy	19
Miami	thund	31
Milan	thund	19
Montreal	fair	13
Moscow	fair	12
Munich	shower	20
Nairobi	fair	25
Naples	fair	25
Nassau	shower	30
New York	sun	18
Nice	shower	21
Nicosia	fair	28
Oslo	rain	12
Paris	rain	18
Perth	fair	22
Prague	fair	18
Rangoon	cloudy	33
Reykjavik	fair	6
Rio	shower	23
Riyadh	sun	38
Rome	fair	25
S. Frsco	fair	21
Seoul	fair	21
Singapore	cloudy	29
Stockholm	rain	14
Strasbourg	rain	15
Sydney	fair	21
Tangier	shower	22
Tel Aviv	fair	27
Tokyo	rain	23
Toronto	fair	17
Tunis	fair	30
Vancouver	shower	17
Venice	shower	21
Vienna	fair	20
Warsaw	fair	16
Washington	sun	22
Wellington	rain	15
Winnipeg	cloudy	20
Zurich	shower	17

FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday October 6 1993

INSIDE

Shell and BP to spend $1.2bn on Mars

Shell Oil and BP have announced plans to develop the Mars field, the largest oil and gas discovery in the Gulf of Mexico for the past 20 years. The two companies will spend $1.2bn on the project, which will begin production towards the end of 1996. Page 22

German exchanges to merge

The Frankfurt stock exchange and Deutsche Terminbörse, the screen-based futures and options exchanga, will merga at the beginning of next year. Page 18

Tough times for Telefonica

Spain's telecommunications deregulation programma could cost Telefonica 25 per cent of its domestic business within the next four years, consultants Price Waterhouse have forecast. Page 18

Safeway doubles money

Safeway says it more than doubled its North American earnings in the third quarter, despite persistent economic sluggishness in the western US and Canada. Page 18

Carmakers run tight circle

Three Japanese carmakers are to supply each othar with vehicles for the domestic market. Nissan, Fuji and Mazda hope that the move will allow them to maintain their product ranges while reducing development costs. Page 20

Hutchison takes on Chinese port

Hutchison Whampoa, the Hong Kong-based conglomerate, is to acquire control of tha port of Yantian in China's Guangdong Provinca. Page 20

Wehmiller lifts profits

New business in the Far East and Latin America has helped Barry Wehmiller International, tha packaging equipment manufacturer, to lift pre-tax profits 8 per cent to £7.1m ($10.72m) for the year ended July 31. Page 24

Bleak outlook for island cotton

Despite the efforts of governments and farmers' organisations, it seems unlikely that Barbados, Antigua, St Kitts and Montserrat will again produce their famed sea island cotton in quantities that will satisfy world demand. Page 31

Pacific Rim attracts Nomura

Equity markets on the Pacific Rim continue to generate interest. Growth rates and generally reasonabla market valuations have prompted Nomura in London to double its model portfolio weighting for Hong Kong and introduce Malaysia, the Philippines and Korea. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Club Med	392	+	16
Rises				L'Oreal	1170	+	45
BMW (Br)	587.5	+	21.5	Sommer-Allibert	2024	+	124
DLW	417	+	14	Taittinger	2580	+	165
Degussa	385.5	+	25	**Falls**			
Kaufhof	580	+	31.5	Schneider	356	-	26
Schmalbach Lub	324	+	12	**TOKYO (Yen)**			
Sud Chemie	457	+	21	**Rises**			
NEW YORK ($)				Renown Look	1140	+	100
Rises				**Falls**			
Safeway	19¼	+	1	Nikken Kogaku	1080	-	100
QVC	56	+	¼	Nintendo	8790	-	510
Falls				Nippon Foil	715	-	64
Advanced Micro	22½	-	4	Taisei	613	-	26
Hewlett-Packard	88	-	1⅞	Toyo Electric	580	-	59
IBM	43⅝	-	¼				
Motorola	99⅝	-	1⅞				
PARIS (FFr)							
Rises							
Bancaire Cie	522	+	20				

New York prices at 12.30pm

LONDON (Pence)				Senior Eng	120½	+	4½
Rises				Signet	29¾	+	1½
Allied Irish	274	+	6	Steel Burrill	156	+	10
Amstrad	48	+	3	Tesco	208	+	8
Conran (A) A	313	+	23	**Falls**			
Forte	232	+	6	Dalepak Fds	134	-	10
Greenalls	378	+	10	Dudley Jenkins	66	-	9
Invergordon	398	+	20	Raine Inds	84	-	6
Manchester Utd	557	+	28				
Murray Ent	239	+	25				
Renishaw	280	+	8				

As Daimler makes New York debut, a German retailer joins the trend

Kaufhof sets sights on the US market

By David Waller in Frankfurt

KAUFHOF Holding, one of Germany's largest retailing groups, announced yesterday that it planned a sponsored American Depositary Receipt programme for its shares in North America.

The sponsored ADR programme is the second to be set up by a German industrial company. It falls short of the full listing obtained by Daimler-Benz yesterday. But the timing of the announcement suggests that other leading German companies have recognised the logic behind Daimler's move. Volkswagen, the carmaker, is the other German non-financial company to have a sponsored ADR programme.

Kaufhof said that in setting up the programme it was reacting to US institutional investors' interest in buying dollar denominated shares in German companies. It said 2 per cent of its equity was owned by US investors, but it had no plans to raise funds directly in the US market.

A sponsored ADR programme is one of three ways that shares in non-US companies can be traded in North America. Under such an agreement the company formally appoints a bank as trustee for its shares.

These are packaged by the bank into dollar-denominated securities, which are then available over-the-counter to US investors. The company undertakes to bear the cost of the programme.

Foreign company shares can be traded via unsponsored ADR programmes: this takes place without the co-operation of the company and any trust bank can act as depository institution.

A full listing, such as Daimler obtained, is at the other extreme. Under this, the company has to comply with the strict disclosure requirements of the Securities and Exchange Commission, US securities industry watchdog.

The sponsored ADR programme is a half-way house: Kaufhof has obtained SEC approval but, as the shares are not to be listed, it will not be obliged to restate its accounts according to US Generally Accepted Accounting Principles (GAAP), as Daimler has done.

The requirement to publish figures according to US rules is regarded with circumspection by German companies, many of which are angry at Daimler's unilateral move to the New York stock exchange.

Mr Christian von Jagwitz, a managing director at CS First Boston, an investment bank advising the Cologne-based company, said the move represented a significant commitment to the US investment community. Mr Jens Odewald, Kaufhof's chief executive, will give presentations in New York and Boston in the third week of October.

Kaufhof said it expected sales this year to rise 8.3 per cent to DM22.2bn ($13bn).

Edzard Reuter (right) applauds the start of trading in Daimler shares, with NYSE chairman William Donaldson (centre).

Obayashi to leave Californian property market

By Robert Thomson in Tokyo

OBAYASHI, the Japanese construction company, is to withdraw from the US west coast property market by liquidating three Los Angeles-based subsidiaries and writing-off losses of Y30bn ($278m) in the year to March.

The Japanese contractor can apparently afford to bear the losses this year, as it has avoided the worst of a corruption scandal in which executives from five other leading construction companies have been arrested in recent weeks for the alleged bribery of provincial politicians.

Japanese construction companies, hit by the fall in property prices and orders at home, have been reducing their exposure in the international market. The scandals in Tokyo have given them another reason to minimise investment risks.

Companies implicated in the scandal, including Taisei and Hazama, have been temporarily suspended from bidding for some public works projects, creating opportunities for Obayashi and other contractors which have so far avoided the ignominy of arrests.

The government suspensions for contractors implicated in the scandal are expected to influence private orders received by the companies.

Taisei said yesterday that it had not lost private contracts, but private orders for the industry are down 30 per cent to 40 per cent because of the depressed property market.

In spite of a record fall of 40.6 per cent in national and local government orders received by the largest 50 Japanese contractors in August, Obayashi said pre-tax profit for the year to March would be Y60bn, up from a previously forecast Y52bn.

The write-offs arising from the Los Angeles liquidations would cut net profit to Y13bn from a projected Y23bn, the company said. Sales for the period were expected to be Y1,600bn, down slightly from the forecast Y1,640bn.

Obayashi will remain active in Hawaii and Europe, but the US west coast market has been weak since the late 1980s. "Outside the US west coast area, in Hawaii, London and other areas, we will continue with development projects, and are seeing firm demand for residential developments and office projects," the company said.

Amstrad beefs up top management

By Alan Cane in London

AMSTRAD, the troubled consumer electronics group, has rehired the technological wizard behind many of its earlier successes and is looking for a new chief executive as it seeks to restore profitability through growth and acquisition.

The strategy includes closing Amstrad's Spanish subsidiary and measures to reduce the company's dependence on the professional personal computer business.

Mr Alan Sugar, Amstrad's founder and chairman, said that Mr Robert Watkins, who left Amstrad last year to become group managing director at Binatone, had returned to manage Dancall Radio, which Amstrad acquired last month.

Mr Watkins had been credited with helping to develop many of the company's "blockbuster" products. The Danish cellular radio company is seen as the key to Amstrad's ambitions in mobile communications.

Mr Malcolm Miller will take charge of the consumer products group, Amstrad's core business, while the new chief executive will be responsible for finding and managing acquisitions in areas which have synergy with electrical and electronic products.

Amstrad's results for last year showed that the group returned to profitability before charges. Operating profits were £15m ($22.7m) and the group earned interest income of £7.2m. Closure of the Spanish subsidiary, however, meant that £25m in goodwill was charged against profits, leaving the company with an overall pre-tax loss of £20.5m compared with £70.7m.

Turnover for the year to June 30 was £308.5m, 13.5 per cent down on last year's £356.5m. Losses per share were 2p, cut from 6.7p; the company is paying a final dividend of 0.3p a share making a total for the year of 0.5p.

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Trevor Humphries

Alan Sugar (left) with promoted Malcolm Miller

AT&T appoints president to target UK as growth area

By Andrew Adonis

AMERICAN Telephone & Telegraph, the US telecommunications giant, has appointed its first UK president, to spearhead its growing ambitions in the UK.

Mr Merrill Tutton is one of only three AT&T country presidents outside the US. The other two are in Spain and China, which AT&T also views as important growth markets.

Mr Tutton, 52, was formerly responsible for AT&T's residential long-distance business in the US, which has more than 32,000 employees. It forms a large part of the company's telecommunications services group, which last year generated turnover of $40bn.

The appointment of such a senior manager indicates the priority AT&T attaches to developing its UK business.

With 7,000 UK-based employees, AT&T has only a modest foothold in the UK. But it has an application pending with the Department for Trade and Industry for a full public network operating licence. It could use the licence either to build its own infrastructure or – more likely – to provide services in conjunction with existing and new operators in the UK's increasingly competitive market.

Either way, it would give added intensity to AT&T's international battle with British Telecommunications. Both operators are seeking to establish themselves as global companies, providing cross-border services to multinational companies.

"This is a tangible sign of our long-term commitment to the UK market," said Mr Tutton. "There are many new areas we could develop if we gain a licence: our whole notion is to grow this market."

● BT yesterday made large cuts in its prices for international digital private circuits. It made average reductions of 29 per cent on circuits to North America and 11 per cent to most of Europe, and launched special offers for companies agreeing fixed-term contracts for circuits to North America and parts of Asia-Pacific and the Middle East.

Barry Riley

The time has come to cut Japan down to size

The Japanese stock market is posing one of its periodical challenges to the practice of setting performance benchmarks for international equity portfolios. Tokyo's market capitalisation has bounced back and is once more threatening to impose its own unrealistic values on global fund managers.

Benchmarks are usually based upon stock market indices, and indeed the global stock market index series – such as the FT-Actuaries World Index – were constructed primarily with this purpose in mind. A fund manager's starting point can therefore be, say, the World ex-US Index, which he must track or beat.

But once before, in the late 1980s, the Japanese bubble threatened this approach. At the peak in late 1989 the Tokyo market was worth 45 per cent of the world market capitalisation. What was worse, it amounted to more than 60 per cent of the global market outside the US, a degree of concentration that threatened to destroy the whole purpose of international diversification for US pension funds.

A lesson was learned. If you follow the index-based approach *too* slavishly you can wind up overexposed to the overvalued markets and underexposed to the cheap ones. It was enough to encourage dabbling with alternative weighting schemes, such as GDP weights. But then, to everyone's relief, especially to that of western fund managers who were underweight in Tokyo, the Japanese bubble was deflated.

By mid-1992 the Japanese market was down to a 24 per cent World Index capitalisation weighting. It was still a bit high, but was not wildly out of line with the Japanese share of GDP of the Organisation for Economic Co-operation and Development area (about 20 per cent).

Given that the Nikkei Dow Average is still at only just over half its peak level, there the matter might have rested. But in the past year a new bubble has blown up, this time involving the yen. Unhedged UK investors could have achieved a return of 60 per cent over the past year, in the unlikely event of matching the performance of the Tokyo index. And in sterling terms Tokyo is within 20 per cent of its end-1989 peak.

Many companies are facing a currency shock that could prove disastrous

Thus Tokyo has zoomed back, to represent nearly a third of the world market. To US eyes, it amounts to half of the non-US capitalisation. To be fully weighted could be dangerous, but to have been underweight in the past year has been agonising.

None of this would matter much if Japanese companies were powering ahead. Then heavy investment in them might look sensible. But many are facing a currency shock that could prove disastrous and will certainly be uncomfortable. The average return on equity in manufacturing has collapsed to about 2¼ per cent, and the average p/e ratio for Tokyo stocks is no longer (as it was in the late 1980s) 40 or even 60 per cent but more like 90 per cent.

Here is how the problem appears to UK pension funds. A manager following a median benchmark will know that the typical exposure of his peer group funds to overseas equities is 24 per cent. Tokyo represents 35 per cent of the World ex-UK capitalisation. So about 8½ per cent of his portfolio ought to be in Japanese equities.

However, the actual exposure of UK pension funds is only half as much. They are strongly angled towards continental European equities where they have nearly 10 per cent of their portfolios compared with a "neutral" 4 per cent. Our manager with a median benchmark can safely stay on half a full Tokyo weighting and not run much of a risk of performing very differently from his peers. If he had an index-based benchmark, he would be under greater pressure to adopt the full exposure.

The new Tokyo problem is the result of curious circumstances. In theory, when a currency soars the domestic stock market will tumble because profitability is undermined. But Tokyo is underpinned by support from public pension funds. The optimists see a big jump in profits in 1995 as pay levels are cut and the Japanese corporate sector starts to shed surplus workers. It would require a revolution in employer-employee relationships.

How this will work out is the subject of various opinions, but in the meantime those fund sponsors being pulled by benchmarks into heavy exposures to the Tokyo market are being braver than perhaps they realise.

Frankfurt SE to merge with Deutsche Terminbörse

By David Waller in Frankfurt

THE Frankfurt stock exchange, the largest of Germany's eight stock exchanges, is to merge with the Deutsche Terminbörse, Germany's screen-based futures and options exchange, at the beginning of next year, the Deutsche Börse announced yesterday.

This is the first change in the structure of Germany's security markets since the creation of the Deutsche Börse, the German stock exchange, at the beginning of the year.

This organisation is a holding company which brings the Frankfurt exchange, the DTB and the Deutscher Kassenverein settlements organisation under one administrative roof.

The Deutsche Börse said the aim of the merger of the DTB and the Frankfurt exchange was to integrate the markets for equities and fixed interest securities with that for options and futures. It would lead to further meshing of trading and sattlement between the two markets, it said.

These changes are administrativa in nature and are unlikely to hring immediate henefits for investors in German securities. However, they are part of a campaign on the part of the German securities industry to improve its competitiveness and are likely to presage significant changes.

"These steps are required in order to achieve a considerable improvement in the competitiveness [of the German securities markets] against other European markets," the Deutsche Börse said. They would lead to faster settlement and lower costs for investors.

The Deutsche Börse has been considering a move to extend electronic trading for German equities beyond the facilities provided by Ibis, a dealing system created in April 1991 which has captured a significant share of trading in Germany's most prominent shares.

Another possibility is to use the clearing facilities developed for the DTB system for transactions in equities and fixed interest securities.

CarnaudMetalbox plans sale

By John Ridding in Paris and Christopher Brown-Humes in Stockholm

CARNAUDMETALBOX, the Anglo-French packaging group, plans to sell its high-performance plastics division to Huhtamäki, tbe Finnish consumer products group.

The sale, which is subject to the signing of an agreement by the middle of this month, comprises all CarnaudMetalbox's activities in the division, which snpplies rigid plastic packaging for the food industry. The division has factories in France, Northern Ireland, Italy and Portugal. It employs about 750 people and achieved salea last year of FFr650m ($112m). CarnaudMetalbox would not disclose the value of the disposal or the profits of the division.

The Anglo-French group said it was selling tbe division because it represented only about 7 per cent of the European market for rigid plastic packaging and conditions required a stronger presence.

Mr Jürgen Hintz, chief executive, said the sale would allow CarnaudMetalbox to focus on its main strategic activities where it has technological and marketing leadership.

Mr Timo Peltola, Huhtamäki's chief executive, said the acquisition complemented Polarcup, the company's own packaging division, which last year had net sales of FM1.8bn ($316m). "Although already Europe's leading company in the field, Polarcup has had no manufacturing presence in France or Italy. The acquisition will also strengthen our product range in dairy and otber food containers," he said.

The Finnish group said it may launch an international equity issue to finance the deal.

It also disclosed a 9 per cent rise in profits after financial items to FM307m for the first eight months and maintained its prediction that its full-year result would exceed last year's FM399m profit. The improvement stemmed mainly from lower financial expenses, with operating iocome virtually unchanged at FM405m. Sales grew 14 per cent to FM5.0hn, belped hy the weaker Finnish markka.

Silentnight rises 27% at midway

By Andrew Bolger in London

SILENTNIGHT Holdings, Europe's biggest manufacturer of beds, said a full contribution from its German acquisition and remedial action in the US helped increase interim pre-tax profits 27 per cent to £5.2m. Turnover rose 13 per cent to £79.6m in the six months to July 31.

Details, Page 22

Breda finance unit to be put in liquidation

By Robert Graham in Rome

FINBREDA, the quoted finance company of the Breda group and part of Efim, the state-run industrial holding company, is to be placed in liquidation following the announcement of a loss of L232bn ($146m) in the first half of this year on top of 1992 losses of L359bn.

The company said the losses were mainly due to financial charges relating to defence suhsidiaries Oto Melara and Breda Meccanica Bresciana.

The move forms part of the overall liquidation of Efim set in motion in July 1992. The defence units are being merged with Finmeccanica, the engineering arm of state-owned IRI.

GAN bids for control of Canadian insurer

By Alice Rawsthorn

GAN, the state-controlled French insurance company, yesterday mounted a hid to take full control of Simcoe Erie Investors, a Canadian insurance company in which it is a minority investor.

GAN, the fourth largest insurer in France and one of the government's privatisation candidates, is offering C$7.625 a share for the remaining shares in Simcoe Erie, valuing the company at C$19.47m (US$15m). GAN owns 21.6 per cent of the Canadian insurer.

Simcoe Erie, which is based at Burlington in Ontario, is one of tbe 20 largest damage insurance companies in Canada with 600 employees. It made pre-tax profits of FFr14m ($2.4m) on turnover of FFr1.5hn in its last financial yaar to June 30.

GAN, which has been more cautious than its French competitors in terms of international activity, described the Canadian deal as "evidence of its willingness to expand into other countries".

It sees the transaction as a stepping stone into the US which has been closed to GAN because of restrictions over inward investment by public-sector companies.

Thyssen chief confirms loss for full year

THYSSEN, the German steel and engineering group, will post a group loss for the fiscal year to September 30, Mr Heinz Kriwet, the chairman told the annual meeting of the International Iron and Steel Institute (IISI), AP-DJ reports from Bonn.

Mr Kriwet gave no details of the losses.

A full-year loss for the group comes as little surprise after Thyssen posted a pre-tax loss of DM515m ($303m) for the first-half of the fiscal year, ended March 31.

Alcazar partners confront US issue

By Ian Rodger in Zurich

THE selection of a US airline partner for the Alcazar project to merge the operations of four European airlines has been given fresb urgency.

Swissair said yesterday that it and the three other airlines in the project – KLM Royal Dutch Airlines, Scandinavian Airline System (SAS) and Austrian Airlines – had decided to resolve the issue of selecting a US partnar before signing a memorandum of understanding in the next few weeks.

In August, the four agreed to shelve the US partner issue in the interest of reaching early agreement on other important issues by mid-September. However, that timetable has slipped, creating time for consideration of tha US partner issue.

"We now intend to solve the big questions before the memorandum of understanding. To leave a question like this to future discussions would not make sense. It has to be solved anyway," Swissair said, adding that there was no longer a definite timetable for conclusion of the talks.

The airlines' dilemma is that three of the four have trade ties with different US airlines – Swissair with Delta Airlines, KLM with Northwest Airlines and SAS with Continental Airlines – but Alcazar would need only one.

Moreover, the issue is sufficiently important that none of tha four would want to go ahead with the Alcazar project without knowing and being comfortable with the selection.

The KLM-Northwest connection would appear to be the most promising because the US and the Netherlands have an "open skies" agreement. Also, KLM bas a 20 per cent equity stake in Wings Holdings, Northwest's parent.

However, Swissalr feels strongly about being associated with Delta's quality image. The ties between the two are just beginning to bear fruit. "It would be very difficult for us to break the Delta link," Swissair said.

Potential US partnera are reported to have been asked to make presentations to the Alcazar companies, but Swissair said only that there were active negotiations.

Kuwait sees BNP stake as first move in French sell-off agenda

By Alice Rawsthorn and John Ridding in Paris

KUWAIT may invest in future French privatisations following the announcement earlier this week thet it plans to take a 2 per cent stake in Banque Nationale de Paris (BNP), the hanking group which is the first candidate in the French government's share sales.

The Kuwait stake – which is divided between the Kuwait Investment Authority and the Kuwait Public Institution for Social Security, each with 1 per cent – is one of the *noyau dur*, or hard core, holdings in BNP that the French government has sold to provide a stable base of long-term shareholders for the bank.

The Kuwait Investment Office, part of the KIA, said yesterday tbat Kuwait saw BNP as a good investment opportunity and regarded the stake as s medlum- to long-term investment. It said Kuwait would scrutinise forthcoming French privatisations for attractive investments.

A number of other foreign companies have taken *noyau dur* stakes in BNP, which is valued at FFr43hn ($7.4hn) by the FFr240 a share offer price.

These include General Electric (GE), the US electronics group; BAT, the UK consumer products concern; Roche Holding, tbe Swiss pharmaceuticals company; and Dresdner, the German bank with whicb BNP has a partnership agreement.

Noyaux durs were prominent in the earlier privatisation drive between 1986 and 1987. However, most of those investors were French concerns. This time the government is encouraging foreign shareholders to participate.

Roche and GE, like Kuwait, plan to take *noyaux durs* holdings in BNP – of about 0.77 per cent and 0.76 per cent respectively – as financial investments. Roche said its investment was being made through its portfolio management division. GE will take its stake through three pension funds.

Similarly, BAT is buying its proposed 0.5 per cent stake in BNP as an investment on behalf of its insurance operations and pension fund. It decided to participate as a *noyau dur* to ensure that it was guaranteed a stake in the bank even if, as expected, the issue was over-subscribed.

However, the UK group, which has substantial tobacco interests, sees the BNP investment as a strategic step towards securing a stake in Seita, the French state tobacco monopoly which is scheduled for sale later in the privatisation programme.

BAT said that its participation in the BNP issue was "a aign of our commitment to France" that "should help strengthen our relations with the French government", therehy improving its prospects of being accepted as a *noyau dur* in Seita.

Dresdner Bank's decision to take a 1 per cent stake in BNP was driven hy strategic reasons.

The German bank, which has for some time operated a commercial partnership with BNP, recently negotiated a cross-shareholding agreement whereby each bank would take up to 10 per cent of the other's equity.

That agreement is awaiting authorisation from the European Commission.

Many of BNP's French *noyaux durs* are industrial groups in which the bank is already a minority investor, such as Saint-Gobain, Péchiney, Compagnie Générale des Eaux and Saint-Louis.

Most of the other domestic *noyaux durs* are clients of the bank.

Stable shareholders in BNP*

	%
Elf-Aquitaine	2.07
Saint-Gobain	1.81
Fin. et Immobilière Marcel Dassault	1.08
Rhône-Poulenc	1.08
Peugeot	1.03
Renault	1.03
Dresdner Bank	1.00
Kuwait Inv. Auth.	1.00
'Public Institution for Social Security' du Kuwait	1.00
Péchiney	0.83
Roche	0.77
General Elec.	0.76
Compagnie Générale des Eaux	0.52
Saint-Louis	0.52
BAT Industries	0.50

Source: Government figures
*Estimated shareholdings of core investors before possible clawback of up to 10%

Telefónica 'may lose 25% of home sector'

By Tom Burns in Madrid

TELEFONICA, the Spanish telecommunications company, atands to lose about 25 per cent of its domestic market within the next four years under new liberalisation guidelines, according to a report on the sector presented yesterday by Price Waterhouse, the accountancy firm.

British Telecommunications, which has formed an association with Grupo Santander, the Spanish banking group, will be bidding for a data transmission licence later this month, and at least three Spanish consortia, linked with international operators, are in the running for cellular telephone licences. These will be awarded by the government in the second stage of the deregulation process early next year.

Price Waterhouse forecasts that independent companies will gain 15 per cent of the data transmission husiness, up to 50 per cent of the cellular telephone sector and up to 55 per cent of the value added network services that are currently provided by Telefónica.

The businesses that are being opened to competition represented just 1 per cent of Telefónica's revenues in 1990 hut had grown to nearly 15 per cent of the company's turnover by last year.

Voice transmission and the basic Spanish network, which accounted for 82 per cent of Telefónica's revenues in 1992, will not be deregulated until 2003.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Half hour period ending	Provisional Price for trading on [illegible]: Pool purchase price £/MWh	Final Prices for trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.07	18.11	18.11
0100	18.05	18.09	18.09
0130	18.08	18.08	18.08
[illegible]	[illegible]	[illegible]	[illegible]

QVC arranges $4bn finance for Paramount bid

By Martin Dickson and Richard Waters in New York

QVC Network, the home shopping channel headed by Mr Barry Diller, yesterday said it had arranged financing of $4bn to back its bid for Paramount Communications.

It also said it had delivered evidence of the financing arrangements to Paramount in an approach which could spark discussions for the first time batween the company and directors of Paramount.

The board of the besieged TV and film production company, which is backing a rival offer from cable TV group Viacom, has said it would consider the QVC bid when there was "satisfactory evidence" of financing to support it.

Yesterday, QVC said it had letters covering $4hn of financing, and that documents supporting this had been delivered to Paramount. Paramount could not be reached immediately for comment.

The $4hn comprises two $500m equity investments in the company that had already been reported, from Comcast and Liberty Media, and commitments from six hanks to provide $500m each towards a bid. The six are Chemical Bank, Bank of Nova Scotia, Barclays, LTCB Trust, NationsBank and Toronto Dominion Bank.

QVC's $9.5bn cash-and-share bid for Paramount includes $30 per share in cash, or $3.52hn.

Viacom, meanwhile, gained a powerful new ally in its hattle to take over Paramount when Nynex, the regional telephone company serving the north-eastern US, agreed on Monday to invest $1.2bn in Viacom.

Monday night's deal, along with a similar $600m invastment in Viacom last week hy video retailer Blockhuster Entertainment, will give the company a war-chest of almost $2bn with which it could increase its hid for Paramount.

Viacom's agreed shares and cash offer for Paramount, which owns the Hollywood film studios of the same name, is worth around $7.5bn, which is $2bn less than the hostile shares and cash offer from QVC.

One report suggested QVC might itself be talking to Bell South, the largest "Baby Bell" regional phone company, about backing for its hid.

For Nynex, another of the seven "Baby Bells," this week's deal represents a big leap into the US cable television industry.

Several other US regional telephone companies have already made large investments in the cable industry, as the two sectors converge to create one huge inter-active, multi-media communications industry.

Nynex will buy $1.2bn of 5 per cent Viacom cumulative preferred stock convertible into Viacom Class B non-voting stock at a price of $70.

Mr William Ferguson, chairman of Nynex, will join the Viacom hoard, as will Mr Wayne Huizenga, chairman of Blockhuster.

See Lex

Trizec debt move may miss default deadline

By Robert Gibbens in Montreal

SENIOR debenture holders of Trizec, the trouhled North American property group, will continue studying the company's financial restructuring plan for another two weeks, almost certainly delaying approval beyond October 20.

Trizec, a publicly-held affiliate of the Hees-Edper group of Toronto, proposed a C$1.86m (US$1.39m)deht and preferred stock restructuring in August. It sought approval hy October 20 to avoid default on a C$84m Swiss-franc debenture issne due then.

The trustee for the senior dehenture holdera owed C$1.1hn said advisers are studying Trizec's legal and financial aituation closely to determine whether the restrncturing is acceptahle. When they have all the information needed they will resnme negotiations with Trizec.

The company said it was willing to delay the approval meeting heyond October 20 and find means to avoid technical default on the Swiss debenture issue if necessary.

Trizec's deht, some in hearer form, is held widely in North America and Europe, making the approval process for the restructuring complex. The company was caught hy the 1991 slump in North American property markets.

The senior dehentnre holders' steering committee is headed by a representative of the Union Bank of Switzerland.

Retiring Ford chief warns on overcapacity

By Kevin Done, Motor Industry Correspondent

EXCESS capacity is the biggest problem currently facing the world auto industry, Mr Harold Poling, who is to retire as chairman and chief executive of Ford at the end of the month, has warned.

"Overcapacity will result in some down-sizing and some consolidating in the world industry for the rest of the decade," said Mr Poling.

The worldwide recessioos had masked "the more fundamental concern" of overcapacity, said Mr Alex Trotman, who will take over as chairman, chief executive and president of Ford from November 1.

"Overcapacity will cause the consolidation and restructuring of the auto industry worldwide," said Mr Trotman in an interview.

"Not everyona will he around hy the end of the century, certainly not in their current configurations."

Both Mr Poling and Mr Trotman ruled out any early move hy Ford to increase its present 24.5 per cent stake in Mazda, the trouhled Japanese carmaker, which warned recently that it faced losses of around Y32bn ($302m) in the current financial year.

"It is a key issue how we go with Mazda in the next 10 years. They do have serious problems," said Mr Trotman. "We have no plans to increase our stake in Mazda. It is a big decision for us. The terrain is changing with the difficulties they are having in Japan."

Mr Poling said that Ford, which lost $2.76bn in 1991 and 1992 (before a one-time charge of $6.88bn, principally to fund healthcare payments for retired workers) had to strive to be a low-cost producer in the world industry.

"When you are the low-cost producer you are in charge and regardless of what the opposition does, they will hurt more than you do."

Both Mr Poling and Mr Trotman indicated that a member of the Ford family could succeed later to the chairmanship. The corporation has been been led by non-family members since Henry Ford II resigned from the chairmanship in 1980.

Two great grandsons of Mr Henry Ford, the founder, are currently on the Ford board. Mr Edsel Ford II, 45, the only son of the late Henry Ford II, is president and chief operating officer of Ford Motor Credit, while Mr William Clay Ford Jnr is general manager of the climate control division. Both now serve on the board's executive and finance committees.

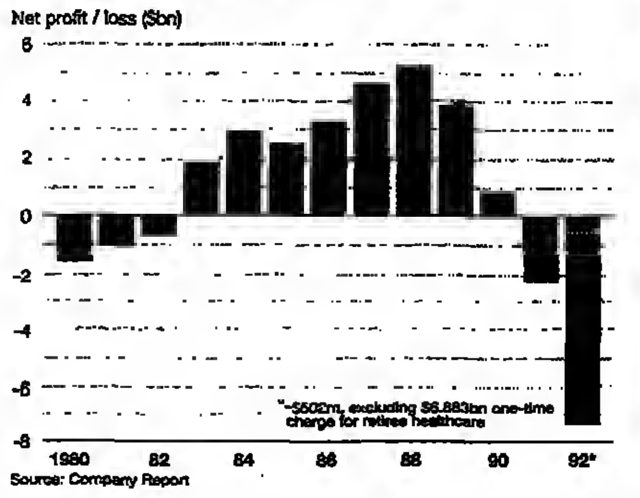
Asked if one of the Fords could become chairman and chief executive, Mr Poling replied: "It is possible. Both of the boys are in jobs where they are learning a lot. They are building background experience. They both aspire to that objective. Yes, it is possible."

Mr Trotman said Ford's worldwide capital spending in the next few years would "substantially exceed" the $30bn spent in the five years to 1992.

Overall profitability was improving – it earned $1.35bn in the first six months of the year – but its financial performance was still hurdened by higher marketing costs, lower capacity utilisation and record speeding worldwide on new product programmes. US new car sales remained below trend and the economies of most large European markets continued to worsen.

"Ford of Europe is coming round, but we are going through difficult times. The digging out area is Europe."

Ford Motor Company



Source: Company Report

Harold Poling: sees excess capacity as biggest problem

Newfoundland to privatise power unit

By Robert Gibbens in Montreal

NEWFOUNDLAND plans to follow the example of neighbouring Nova Scotia in privatising the Newfoundland & Labrador Hydro Power generating utility in order to ease the province's severe financial pressures.

The initial proposal is to sell Newfoundland Hydro to Fortis, a publicly-traded holding company which provides 85 per cent of the island of Newfoundland's power through its distribution subsidiary.

Talks with Fortis are expected to take up to six months, but the provincial premier, Mr Clyde Wells, says that if a deal cannot be reached, another privatisation route will be found.

Fortis also has interests in telecommunications and a property management unit. Newfoundland Hydro generates most of its power at the Bay d'Espoir hydro plant.

The province's plan would effectively merge Newfoundland Hydro with the Fortis distribution company. The merged company would have assets of C$1.8bn (US$1.35bn), capacity of nearly 2,000MW, annual revenues of more than C$700m and more than 2,000 employees. After the merger it would be taken public.

Mr Wells, himself a former Fortis chairman, said the new company would still be subject to regulated power rates. He wants to reduce the province's indirect obligations to Newfoundland Hydro, escaping a guarantee of the utility's C$1.4bn debt.

Newfoundland Hydro is planning to privatise certain activities to reduce debt. Hydro-Quebec, one of Canada's two biggest utilities, has considered following a similar path.

BMW sales up by 19% in US

BMW, the German car manufacturer which has announced that it is to build a manufacturing plant in South Carolina, reported that US sales advanced by 19 per cent in September, compared with a year ago, to 7,018 units from 5,883, Reuter reports from Frankfurt.

In the first nine months of this year, sales climbed to 57,763 vehicles from 49,203 in the year-earlier period.

Safeway third-quarter profit more than doubled

By Frank McGurty in New York

SAFEWAY, the North American grocery retailer, yesterday said that its earnings had more than doubled in the third quarter in spite of persistent economic sluggishness in the western US and Canada, where most of its 1,100 stores are located.

In the quarter to September 11, net income was $42.1m, or 34 cents a share, compared with $20m, or 17 cents, in the corresponding period of 1992.

Revenues climbed 3 per cent to $3.6bn, in spite of a declining exchange rate for the Canadian dollar and low price inflation throughout the food sector.

On a same-store basis, Safeway sales increased 3.1 per cent, at a time when most of its west coast competitors were experiencing flat sales growth or small declines.

Wall Street responded enthusiastically to the results, which exceeded analysts' consensus forecast of 29 cents a share. By midday, the stock reached a 52-week high of $19¼, up $1.

The earnings improvement reflects the company's continued success in controlling costs through staff reductions and improved purchasing procedures.

Operating and administrative expenses in the quarter slipped to 23.8 per cent of sales, against 24.4 per cent last time.

The California-based chain has staged an impressive turnround under the leadership of Mr Steve Burd, who assumed the joh of chief executive in March.

"Mr Burd has changed the culture at Safeway," said Mr Richard Church, an analyst with Smith Barney Shearson in New York. "The company has not only cut costs, hut has become more focused on its customers hy passing the savings along through lower prices. That is reflected in the sales improvement."

Mr Gary Gihlen, who follows the company for PaineWehber, expects Safeway to continue ahowing improvement as a reduced cost structure enables the chain to lower prices, offer hetter service and further improve sales. "Mr Burd has entered the virtuous circle of retailing," he said.

Investcorp expands into music with Camelot deal

By Karen Zagor in New York

INVESTCORP, the Arah-led investment consortium, plans to expand its retailing operations into the music sector through the acquisition of Camelot Music, the third-biggest US music retailer.

Investcorp is believed to be paying more than $350m for the privately-held Camelot, which had revenues of $421m in fiscal 1993. Neither company would reveal the terms of the deal, which is expected to be complete hy the year-end.

Mr Paul Soldatos, a member of Investcorp's management committee, said Camelot had "significant growth potential". Investcorp is expected to expand Camelot's foothold in the music retailing business through other acquisitions.

Investcorp has a significant presence in the US retail world through its ownership of Saks Fifth Avenue, the upmarket department store group which it hought in 1990 for $1.6bn from the UK's BAT group. Its North American interests also include the Tiffany jewellery chain, Peehles Department Stores and the Circle K convenience store chain.

Earlier this year Investcorp gained control of Gucci, the luxury goods group. In the UK, it bought Thorn EMI's Lighting division for $162m in what was effectively a management huy-out. According to US trade publications, Investcorp hid against HMV of the UK for Camelot.

Camelot, which has 365 stores in 34 states, was founded by Mr Paul David in 1956. Most of its stores are in shopping malls. They sell compact discs and cassettes in addition to video-cassettes and other home entertainment products.

Mr David is expected to retire as Camelot's chairman, president and chief executive. Mr James Bonk, 45, will take on the positions of president and chief executive.

UK moves towards paperless trading

By Antonia Sharpe

THE UK securities industry took a small step forward in its quest for a paperless trading system yesterday when the three vendors of electronic trade confirmation (ETC) systems said they had set a date for testing a link between their systems.

ETC is an automated screen-based process which replaces the current practice of sending paper contract notes between brokers and their institutional clients. ETC also shortens the time taken to confirm equity or fixed-income trades between brokers and institutions. This means any failed trades can be detected before they turn into expensive errors.

Many institutions and brokers have backed the introduction of ETC, but few have subscribed to one of the three systems because they operate independently. As a result, they would have to subscribe to all three in order to confirm trades with each other.

There has been an agreement in principle between the vendors to set up inter-vendor links (IVLs), but progress has been hampered by discussions about who will bear the development costs and how the charges for using the links will be divided.

Yesterday, the International Securities Market Association (Isma), the London Stock Exchange (LSE) and Thomson Financial Services announced an implementation plan for the trilateral testing of IVLs.

Isma and the LSE will begin testing on November 29 and testing by Thomson will begin in early 1994. The first link between Isma and the LSE is expected to go live in April 1994 and Thomson expects its links with the other two to go live in August 1994.

Mr John Lambert, chairman of a group of ETC users and operations director at Schroder Investment Management, said that brokers and institutions should now feel confident to make decisions about which system is most suited to them.

HK group buys Chinese port

By Simon Davies in Hong Kong

HUTCHISON Whampoa, the Hong Kong-based conglomerate controlled by Mr Li Ka-shing, is to dominate further China's container-terminal business by acquiring control of the port of Yantian in Guangdong province. The deal is valued at Rmb3.5bn (US$6m).

Hutchison owns 60.5 per cent of Hong Kong International Terminals (HIT), which controls more than 60 per cent of the Hong Kong port's container throughput. The expansion into China is seen as a move to ensure the group's continued monopoly on container business within the Pearl River delta region.

Yantian, in the north-east of the colony, is the most commercially viable of the Chinese ports being developed near Hong Kong and one of only four government-designated, international deep-water ports.

HIT is the largest shareholder in a consortium composed of Cosco, the Chinese shipping group, Mitsui and Kumagai Gumi (Hong Kong). The consortium has taken a 70

Li Ka-shing: conglomerate to extend domination

per cent stake in Yantian International Terminals, funding a Rmb5bn development programme. It is constructing five 50,000-ton container berths and four general cargo berths, to be completed by the end of 1996.

Last year, Hutchison bought a 50 per cent stake in Shanghai's container operations for HK$1.4bn. It has formed a joint venture with the port authorities of Zhuhai to operate feeder facilities for Hong Kong and develop a deep water port.

Woodside shares jump as oilfields given go-ahead

By Nikki Tait in Sydney

SHARES in Woodside Petroleum, the Australian oil and gas producer, jumped 7 cents to a two-year high of A$4.07 yesterday, after the company announced the go-ahead for development of the Cossack and Wanaea oilfields on the North West Shelf, off the west coast of Australia.

Six equal partners are involved in the project – BHP Petroleum, BP Developments, Chevron Asiatic, Japan Australia LNG (MIMI), Shell Development and Woodside.

The six groups are committed to spending more than A$1bn (US$647m) to bring the oilfields into production and construct a liquefied petroleum gas extraction scheme around a site at the Burrup Peninsula in Western Australia.

The Wanaea oilfield was discovered in 1989, and has estimated recoverable reserves of about 200m barrels of crude oil.

The neighbouring Cossack field, which was discovered a year later, has a further 33m barrels.

The first contracts for the LPG plants are due to be awarded in November, and the plant is expected to be finished early in 1996.

The Wanaea and Cossack oil projects are due to be completed by the end of 1995, when initial production will start.

Planned peak production is 115,000 barrels a day.

Liffe in discussions over listing for Euroyen

By Sara Webb

LIFFE, the London International Financial Futures and Options Exchange, is exploring the possibility of listing a Euroyen futures contract in order to extend its range of short-term interest rate contracts.

Liffe is discussing with the Tokyo International Financial Futures Exchange (Tiffe) the possibility of listing Tiffs's Euroyen futures contract, rather than developing its own product.

Liffe already has a link with the Tokyo stock exchange which allows it to list the TSE's Japanese government bond futures contract.

Mr Roger Barton, managing director of business development at Liffe, said preliminary research had suggested that several members of Liffe see the need for a Euroyen contract.

"A substantial number (of members) think we should list a contract which is linked into Tiffe," he said, stressing this would provide members with a product that could be traded in the European time zone.

However, some traders see little need for Liffe to list a Euroyen contract, given that the Singapore International Monetary Exchange (Simex) already lists a Euroyen contract that can be traded during the early part of the European day.

The Simex Euroyen contract is similar to Tiffe's product, but not as heavily traded. Mr Barton said the average daily volume for Tiffe's Euroyen contract is about 83,000 contracts, compared with about 12,000 for the Simex.

● The OM Stockholm and OMLX exchange in London traded 2.49m contracts in September, down from August's 2.83m but a rise of more than 50 per cent compared with September last year, Reuter reports.

The exchanges said the rise this year was fuelled by growth in Swedish bond and interest rate futures.

Japanese carmakers agree supply deal

By Michiyo Nakamoto in Tokyo

THE DIVISION of labour within Japan's motor industry gathered pace yesterday as three car manufacturers announced plans to supply each other with vehicles for the domestic market. The moves are to allow the companies to maintain product ranges while reducing development costs.

Nissan, Japan's second-largest carmaker, will supply Fuji Heavy Industry, maker of Subaru cars, with vans from early naxt year. Nissan will also supply Mazda with vans and estate cars, but in return buy vans and trucks from Mazda.

Nissan will provide Fuji Heavy with 200 vans a month. Fuji will terminate production of its Subaru Leone van, now running at about 200 s month.

Nissan will supply Mazda with 1,400 vans and estate cars a month, for sale under tha Mazda Familiar marque in the Japanese domestic market.

Mazda will stop producing its Familiar vans and wagons for the domestic market, but continue to manufacture the vehicles for export.

The moves, which follow an agreement between Honda and Isuzu earlier this year to supply each other with vehicles, reflect the efforts of Japanese carmakers to survive one of the worst recessions in the industry by reducing development costs for less successful models. The industry has seen weak demand for three consecutive years, while the yen's appreciation has hurt the price competitiveness of Japanese carmakers abroad.

Mazda has not been as successful with its smaller vans and estate cars sold under the Familiar marque. It produces less than 2,000 of these vehicles a month, and announced recently that it will close one production line where it manufactures the Familiar vans and estate cars.

Nissan will also stop making the Vanette van and truck from early next year, when it will replace those models with products from Mazda.

The vehicles have been manufactured at a Nissan subsidisry in which Nissan has a 33 per cent stake, but the company has seen production of these models fall from a monthly average of 2,820 last year to 2,440 a month in the first eight months of this year.

Nissan said that it was reviewing models which were not profitable, while Mazda noted that it would be more cost-effective for it to buy the vehicles from Nissan than continue developing them itself.

Part of Nissan's supply to Mazda will come from Nissan's facility in Mexico, where it recently increased capacity. The company expects to ship 1,500 vans a month from Mexico and increase that number after several years to about 30,000 to 35,000 units a year.

Mitsubishi Petrochemical sees loss

MITSUBISHI Petrochemical expects to post a pre-tax loss for the six months which ended in September, the group's first deficit since 1982, Reuter reports from Tokyo.

The size of the expected loss was not spelled out, but a spokesman said the company is planning to issue a downward revision of its earnings outlook early next week.

The company said that the announcement would also clarify if there will be an interim dividend.

Mitsubishi Petrochemicals had been expecting to pay a dividend of between Y4 and Y6 a share for 1993-94.

Like other companies in its industry, Mitsubishi Petrochemical has suffered from the decline in petrochemical sales during the economic slowdown.

● Mitsubishi Rayon plans shortly to announce revisions to its forecasts as the six-month results are likely to deviate more than 30 per cent from earlier estimates. These suggested that the group was heading for a Y800m ($7.6m) parent net profit in the six months ended September, against Y1.28bn a year earlier.

NEWS IN BRIEF

Energy Direct gains NZ SE listing

ENERGY Direct, the Wellington gas and electricity utility, which has just given away 85m shares to householders in its district, gained a stock market listing yesterday with many people swapping their shares for refrigerators or as deposits on cars, writes Terry Hall in Wellington.

The company, which is issuing a total 140m shares, will be the 17th largest listed company on the New Zealand Stock Exchange.

The share giveaway follows a privatisation direction from the government for the former division of the state-owned Electricity Department.

Japanese to control Italian fashion house

ITOCHU and Coronet, two Japanese trading houses, are to take full control of Mila Schon, the Italian fashion house, Reuter reports from Tokyo.

In 1988, Itochu and Coronet purchased 40 per cent of Mila Schon. The Italian company has asked ths Japanese groups to buy more shares due to financial problems at Mila Schon, a spokesman said.

The trading houses have set up a 50-50 joint investment company, MS Investment SRL, in Milan to purchase most of the outstanding shares in Mila Schon.

Foreigners hold more Danish bonds

BONDS listed on the Copenhagen Stock Exchange held by foreign investors rose in the second quarter of 1993 by 16.3 per cent to DKr250bn ($38bn) compared with the first quarter, AP-DJ reports from Copenhagen.

Rising bond prices boosted the total value of circulating bonds by 6 per cent, or DKr84m, compared with the first quarter, of which new bonds introduced on the stock exchange accounted for some 2 psr cent of the increase.

AMR issues FRNs

AMR Corp has issued $300m in floating rate notes due November 15, 1995, according to lead manager JP Morgan Securities.

The notes were given an initial coupon of 4.375 per cent and priced, initially, at 99.821. The notes float quarterly at 100 basis points over the London Interbank Offered Rate (Libor).

Non-callable for life, tha issue is expected to be rated BAA3 by Moody's Investors Service, and doubla B plus by Standard & Poor's.

Seiko Epson reduces PC production

By Michiyo Nakamoto

SEIKO Epson, the Japanese electronics maker, is to stop manufacturing PCs for ovarseas markets as a result of severe price competition.

Seiko said that it is halting production of IBM-compatible PCs at its US and Singapore facilities and will meet overseas demand through OEM purchases from PC makers in Taiwan. In an OEM purchase a company buys a product from an outside manufacturer which it sells under its own brand name.

Price competition in the world PC market has hurt Seiko badly and the company saw production in the US fall to less than a third of its peak of 600,000 in 1989.

Seiko's US facility has been transformed into a base for the production of printers, and the number of employees there has been halved to about 500.

A facility in Singapore where the company manufactures PCs will now make PC peripherals.

Seiko said that fierce prica competition was the main factor behind its decision which will allow it to reduce fixed costs substantially.

INTERNATIONAL CAPITAL MARKETS

European sector soars as crisis in Russia abates

By Sara Webb in London and Patrick Harverson in New York

EUROPEAN government bond markets soared yesterday, spurred on by renewed buying interest as the Russian crisis appeared to abate and investors were able to focus once again on the favourable economic background.

■ ITALIAN government bonds climbed more than a point as

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investors took the view that Europe's high-yielding bond markets are likely to see the most scope for interest rate cuts. "There's been quite a push from the big US houses who are hoovering up Italian bonds," noted one Italian trader.

The Liffe BTP futures contract broke through the resistance level of 117.50 to hit an all-time high of 117.53, ending the day at 117.49 to give a gain of 107 basis points.

■ GERMANY also hit an all-time high yesterday, with the futures contract bursting through an important resistance level which triggered further bouts of buying in the futures market.

"We've seen the market hit the 99.20 resistance level five times recently: this time it has broken through resistance and this is clearly a buy signal," said one dealer.

The Liffe futures contract moved from a low of 99.03 to a high of 99.45 before closing at 99.39. Volume was heavy with about 109,000 contracts traded.

Few dealers expect the Bundesbank to ease official interest rates at this week's council meeting – the first with Mr Hans Tietmeyer as president. At yesterday's repo the Bundesbank left its two-week fixed rate repo unchanged at 6.70 per cent, while the 35-day variable rate repo result will be announced today.

■ UK government bonds took their cue from Germany, and the rally in gilt prices enabled the Bank of England to sell the remainder of its tap stocks.

The Bank exhausted an £800m tranche of 9 per cent stock due 2011, which was announced on Friday. It also sold out its index-linked stock (£250m of 4⅛ per cent stock due 2030) which was issued on September 14.

Dealers said that the gilt market continued to be supported by yield curve plays, with investors borrowing at the short end to buy longer-dated issues.

The long end of the market witnessed the strongest gains with the 8⅞ per cent gilt due 2017 rising from 115½ to 116[illegible] to yield 7.24 per cent.

■ FRENCH government bonds also hit new highs, with the December notional bond contract on Matif reaching a peak of 124.14. It slipped back to 124.02 on late profit-taking, up 0.26 point from Monday.

The central bank's announcement that it plans to auction between FFr13bn and FFr15bn of 10-year and 30-year OAT's on Thursday, against market expectations of between FFr18bn and FFr20bn, also lifted sentiment, one trader said.

■ HEALTHY domestic buying buoyed the Japanese government bond market yesterday as investors shrugged off concern about the political situation in Russia and took encouragement from a successful auction of long-dated stock.

The futures market outperformed cash bonds: the December futures contract rose from 113.30 at the opening to end at 113.49, up 0.44 on the previous day's close. Dealers noted a favourable response to yesterday's auction of 20-year bonds, pointing out that investors are hungry for yield at a time when other Japanese investments appear less attractive.

The Ministry of Finance accepted bids for Y350bn of 20-year bonds with a 4.7 per cant coupon. The average accepted prica was 100.45, giving a yield of 4.656 per cent.

■ US Treasury prices were firm at the long end but slightly weaker at the short end of the maturity range yesterday morning as dealers and investors awaited Friday's employment figures.

By midday the benchmark 30-year government bond was up $\frac{3}{32}$ at 103⅝, yielding 5.983 per cent. At the short end of the market, the two-year note was down $\frac{1}{32}$ at 100$\frac{1}{16}$, to yield 3.825 per cent.

With the political crisis in Russia apparently settled, attention switched to this week's important September employment report, which will provide the market with the most up-to-date view of labour market conditions in the still struggling economy.

Analysts expect increase of about 150,000 in non-farm payrolls, but the possibility of another surprising number – like the 39,000 decline in August payrolls – was not being ruled out.

FT FIXED INTEREST INDICES

	Oct 5	Oct 4	Oct 1	Sep 30	Sep 29	Year ago	High *	Low *
Govt Secs (UK)	102.26	102.08	102.04	102.17	101.00	88.04	102.86	93.28
Fixed Interest	123.19	122.94	123.06	123.05	122.84	102.31	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.10 (3/1/75). Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75).

GILT EDGED ACTIVITY

Indices*	Oct 4	Oct 1	Sep 30	Sep 29	Sep 28
Gilt Edged Bargains	90.1	86.2	105.2	131.6	99.6
5-Day average	102.4	108.3	107.0	105.2	97.0

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.0504	-	6.66	6.69	6.60
BELGIUM		9.000	03/03	111.4600	+0.250	7.29	7.32	7.39
CANADA *		7.500	12/03	103.4850	-0.165	7.01	6.86	6.70
DENMARK		8.000	05/03	109.6000	+0.375	6.61	6.68	6.80
FRANCE	STAN	5.750	11/98	100.6817	+0.131	5.54	5.61	5.65
	OAT	6.750	10/03	105.4200	+0.250	6.01	6.03	6.15
GERMANY		6.500	07/03	103.4050	+0.360	6.03	6.07	6.13
ITALY		10.000	08/03	108.9200	+0.955	8.12†	8.37	8.75
JAPAN	No 119	4.800	06/99	107.8325	+0.303	3.16	3.31	3.56
	No 157	4.500	06/03	105.1140	+0.185	3.78	3.86	4.04
NETHERLANDS		7.000	02/03	107.6900	+0.216	5.90	5.94	5.99
SPAIN		10.300	06/02	112.2500	+0.600	8.96	9.10	9.00
UK GILTS		7.250	03/98	103-24	-3/32	6.27	6.30	6.30
		8.000	06/03	107-31	+4/32	6.85	6.83	6.83
		8.000	10/08	116-04	+1/32	7.22	7.28	7.22
US TREASURY *		5.750	08/03	103-08	-3/32	5.33	5.27	5.29
		6.250	08/23	103-15	-7/32	6.00	5.95	5.94
ECU (French Govt)		8.000	04/03	109.2000	+0.300	6.65	6.64	6.66

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents). Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Firm demand for emerging market Euroconvertibles

By Antonia Sharpe and Conner Middelmann

THE RECENT spate of Euroconvertible issues from emerging markets in east Asia indicates that investor demand for equity-linked bonds is far from satisfied.

Around $2.5bn has been raised so far this year, and deals worth a further $1bn are expected to be launched by the end of the year.

Hong Kong issuers have been the most active, raising about $1.3bn, followed by Thai companies with just under $600m. South Korean, Taiwanese and Indian companies have also made an appearance.

International investors have been keen to buy these issues so that they can obtain exposure to some of the world's faster-growing economies. At the same time, they are protected against the volatility and the illiquidity which are endemic in emerging stock markets.

The relatively high yield on the bonds is another attraction, especially to European investors.

The two main advantages from the issuers' point of view are an ability to raise relatively large amounts in one go, a feat which would be much more difficult to achieve in domestic markets, and an opportunity to expand their investor base worldwide.

Investor demand has reached such a pitch that last week's issue for Guangzhou Investment Company, the Hong Kong-listed vehicle for southern China's wealthiest city, was eight times over-subscribed.

As a result, the five-year issue, lead managed by Morgan Stanley, was increased by $30m to $105m. The issuer also achieved an aggressive conversion premium of 24.6 per cent and a coupon of 4.5 per cent, at the low end of the 4.5 per cent to 5 per cent range.

The bonds were launched at par but were trading at 104⅝ yesterday, Morgan Stanley said the bonds' rapid rise reflected the demand across the globe for high-quality convertible paper as well as news that Cheung Kong, a core shareholder in Guangzhou Investment, had taken up $30m of the issue.

Syndicate managers say the pricing of emerging market Euroconvertible issues depends on several factors, including how well-known the issuer is, the size of the issue, whether

INTERNATIONAL EQUITY ISSUES

there are any calls or puts on the bonds, and the volatility in the underlying stock market.

Hong Kong borrowers tend to achieve the highest conversion premiums, of between 20 per cent to 25 per cent, because most are already familiar to international investors. In addition, investors have shown themselves willing to pay higher prices for securities which offer exposure to mainland China.

By contrast, Thai and Indian issuers can only expect a premium of perhaps 10 per cent to 15 per cent because their names are relatively new and their stock markets are not as developed as Hong Kong's.

However, syndicate managers warn that any attempt to force investors to pay unrealistic prices could spoil the party for everyone. "The market will be fine provided people don't indulge in silly pricing," says one syndicate manager.

Syndicate managers report that there is a long queue of issuers waiting to tap the market. Among Hong Kong names, Sino Land issued a seven-year $150m offering yesterday and Henderson Land is expected to launch a $400m offering in the near future. Several Thai issues are also in the pipeline.

SCICI will be the first Indian financial institution to tap the Euroconvertible market when it launches a $100m offering later this month through BZW with joint-leads Lazard Brothers and James Capel.

ITC, the Indian tobacco and hotels company in which BAT of the UK has a stake, is expected to launch a $100m convertible bond issue before the end of the year.

Denmark sets benchmark with FFr7bn Eurobond offer

By Antonia Sharpe

THE Kingdom of Denmark established a new benchmark in the French franc sector of the international bond market with a FFr7bn offering of six-year Eurobonds.

INTERNATIONAL BONDS

This is Denmark's largest single offering in the French franc sector and equals the record for a French franc Eurobond, set in May by the Republic of Spain. Spain initially raised FFr6bn through an offering of 15-year Eurobonds but swiftly increased the deal by FFr1bn.

Lead manager Paribas said Denmark's offering injected badly-needed liquidity into the six-year area of the yield curve since the 8¼ per cent French government's OAT due 1999 now traded at around 111.75. The bonds have become difficult to trade because of their significant premium to par.

However, Parihas acknowledged that the pricing of Denmark's bonds, at a spread of 15 basis points over the yield on the underlying OAT, was aggressive. The view in the market was that the spread should have been five basis points wider.

By late afternoon, the bonds were trading at 98.27, compared with a re-offer price of 98.61, and the spread had widened to 21 basis points, traders said.

Mr Niels Sorensen, head of the foreign debt department of Denmark's National Bank, said that the proceeds of the issue would kept in French francs and would be used to refinance the large amount of outstanding commercial paper which was falling due this month.

He said that this issue was likely to be Denmark's last large Eurobond issue for some tima becausa of the DKr8bn rise in the country's foreign exchange reserves to DKr68bn in September.

"This is higher than we consider necessary," he said, adding the reserves would be reduced in order to refinance commercial paper as it fell due.

The Inter-American Development Bank (IADB) raised C$250m through an issue of 10-year Eurobonds. They were priced to yield 23 basis points over the 7½ per cent Canadian Treasury due 2003.

Lead manager SBC said the pricing of the issue was in line with levels in the secondary market for 10-year Canadian dollar paper issued hy other triple A-rated borrowers. However, some syndicate managers said that the spread should have been in the high 20s in view of the uncertainty in the market ahead of Canada's general election later this month.

SBC said that the honds were selling well to institutions who were attracted by the differential of 170 basis points between the yields in the Canadian and US bond markets.

Mr Stephen Abrahams, head of the IADB'a capital markets division, said the proceeds of the issue had been swapped into Swiss francs. Ha added that the IADB had a further $1.2hn to raise before the end of the year and was considering an lssne in yen, Swiss francs, guilders or dollars.

The IADB was also looking closely at the French franc sector where funding rates had become much more competitive, he said. The IADB'a funding programme for 1993 is around $4.5bn and is likely to raise the same amount next year.

Elsewhere, Banco Mexicano, a private-sector Mexican hank, is due to make its debut in the Euromarket next week with a five-year issue of hetween $125m and $150m. The issue will be made under the bank's $350m global MTN programme.

Lead manager Chemical said the bonds were likely to he priced to yield between 340 and 360 basis points over underlying US Treasuries.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Sino Land Co.(a)§	175	5.00	100	Oct.2000	2.50	-	Jardine Fleming
FRENCH FRANCS							
Kingdom of Denmark	7bn	5.50	98.61R	Oct.1999	0.275R	+15 (8¼%-99)	Banque Paribas
Department of Hauts-de-Seine	700	6.25	99.53R	Nov.2004	0.35R	+22 (8¼%-04)	Deutsche Bank France
CANADIAN DOLLARS							
Inter-American Dev'ment Bank	250	7.25	98.065R	Nov.2003	0.325R	+23 (7½%-03)	Swiss Bank Corp.
Telesat Canada	75	7.50	99.55R	Oct.1998	0.75R	+110(6½%-98)	CS First Boston
SWISS FRANCS							
STEG+	60	4.375	102	Nov.1997	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. +Private placement. §Convertible. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Conversion price: HK$6.86. FX: 7.73808HK$/$. Callable, subject to 140% rule, from 21/10/96 at 104% declining by 1% annually.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6.55 pm on October 5

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 5½ 03	1000	103⅛	103⅜	-⅛	6.02
AlbertaProvince 9⅝ 95	600	109⅞	110⅛		4.26
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	99⅞	100⅜		7.86
Genfinance Lux 8⅛ 99 LFr	1000	107¼	110½		7.46
World Bank 8 99 LFr	1000	101	102		7.52
[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	61	7	12
Other Fixed Interest	1	2	12
Commercial, Industrial	381	165	875
Financial & Property	335	42	444
Oil & Gas	16	21	40
Plantations	1	0	7
Mines	30	35	71
Others	24	61	44
Totals	851	333	1,505

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	116	94	Anglian Water Wrts	105	+1	-	-	-	-
130	F.P.	-	147	115	Baloyrchik	130		-	-	-	-
-	F.P.	-	£41¼	£35⅝	Bela Viet Nam Units	£41¼		-	-	-	-
90	F.P.	-	00	95	Crockfords	95		W5.2	2.3	6.6	7.5
-	F.P.	-	5	3½	Explorers A	3¼		-	-	-	-
-	F.P.	-	70	67	For & Col Special Inc	70	+½	-	-	-	-
-	F.P.	-	40	42	Do Capital	42		-	-	-	-
-	F.P.	-	110	109	Do Units	112	+1	-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
140	Nil	22/16	34pm	32pm	Adwest	34pm	
120	Nil	4/11	19pm	6pm	Appleyard	10pm	
35	Nil	-	1pm	¼pm	Britannia	¼pm	
150	Nil	15/11	11pm	10pm	Friendly Hotels	10pm	
150	Nil	2/11	23pm	18pm	JIB	23pm	
260	Nil	2/11	67pm	46pm	MB Caradon	67pm	+2
106	Nil	10/11	23pm	17pm	Perry Group	17pm	
120	Nil	3/11	22½pm	13¼pm	Tarmac	10½pm	-1
72	Nil	13/16	7pm	5pm	Wates City of London	6pm	+1
2½	Nil	25/10	½pm	½pm	Wiggins	½pm	

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Sept. 27
- Last Dealings Oct. 8
- Last Declarations Dec. 30
- For settlement Jan. 10

3-month call rate indications are shown in Saturday editions.

Calls: Allience Res., Amstred, Avesco, Cook (Wm.), Higgs & Hill, Pentos, Premier, Vickers, Whitecroft. Puts & Calls: Amstrad, Brit. Steel, Burton.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	550	33	45	55½	3½	15½	22
(*575)	600	5½	18½	31	29	43	48½
Argyll	300	11½	22	30½	6½	16	18½
(*303)	330	2	8½	18	29	36	38½
ASDA	57	3	-	-	2½	-	-
(*57)	67	1	-	-	11	-	-
Brit Airways	360	16½	29½	38	7	19½	25
(*368)	390	4	16½	26	26½	37	42
Sold Bchm A	390	25½	40	50	5½	18½	23½
(*407)	420	9	38	36	21	34½	38½
Boots	480	28	38½	48	3½	13	16
(*484)	500	5	10	78	21	33	38½
BP	300	22½	29½	34½	3	7½	11
(*319)	330	4	13½	18	14	21½	25
British Steel	120	8	15	19½	3	7½	16
(*125)	130	3½	8½	14½	6	13	15½
Bass	460	23	35½	41	4	20½	26
(*476)	500	3½	15	22½	27½	45	51½
Cable & Wire	900	28	51½	75½	13½	34½	47½
(*916)	950	6	20	49½	48	63	73
Courtaulds	460	36½	49	50½	2½	12½	16½
(*491)	500	6½	26	35½	16½	30½	34
Comm Union	629	17	-	-	8	-	-
(*635)	677	2½	-	-	45	-	-
[illegible]							
Grand Met	420	14	29	37	7½	23½	27
(*426)	460	2	13	20½	37	48	51½
Ladbroke	180	7	16	22	5½	12½	10½
(*101)	200	1½	9½	13	21	25	31½
Utd Biscuits	330	24	34½	37½	4	13½	19½
(*350)	360	5½	18	23	21	27½	39
Option		Oct	Dec	Mar	Oct	Dec	Mar
Fisons	160	7	12	17½	5½	12	18
(*161)	100	1½	5	8½	21	26½	29
Option		Nov	Feb	May	Nov	Feb	May
Brit Aero	390	36½	55½	68½	12	25½	36½
(*411)	420	19½	40½	51	26	41	52

Option		Calls			Puts		
[illegible]							
(*548)	550	25	35½	42½	22	31½	35½
Blue Circle	200	19½	29½	32½	12	10	28
(*283)	300	10½	19½	23½	24	29½	37½
British Gas	300	31½	36	38½	4	7	12
(*329)	330	9	18½	21½	15½	19½	26½
Dixons	280	16	28½	33½	14½	21½	25
(*282)	380	10½	10	24½	26	35½	38½
Eurotunnel	500	43	-	-	32	-	-
(*505)	550	21½	-	-	63	-	-
Hillsdown	140	22½	24½	25	2½	5½	9½
(*159)	160	7½	12½	13½	11½	14½	21

PUTS									
Oct	1½	2	3	9	26½	58	116	166	
Nov	7½	13	19	32½	53½	01½	110	158	
Dec	16½	22	31½	45½	66	92½	126	166	
Jan	24	33½	45½	61½	81½	107	138	175	
Jun †	54	-	84	-	123	-	178	-	

October 5 Total Contracts 46,712
Calls 24,792 Puts 21,920
FT-SE Index Calls 4,176 Puts 11,527
Euro FT-SE Calls 4,011 Puts 792
*Underlying security price. †Long dated expiry mths. Equity premiums are based on closing offer prices. Index options are settlement prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue Oct 5	Day's change %	Mon Oct 4	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.87	+0.07	128.78	2.12	8.68
2	5-15 years (22)	156.05	+0.15	155.82	2.08	19.12
3	Over 15 years (9)	175.69	+0.11	175.50	1.43	9.70
4	Irredeemables (6)	207.34	+0.37	206.57	3.62	8.83
5	All stocks (62)	151.48	+0.12	151.31	2.01	9.67
	Index-Linked					
6	Up to 5 years (2)	187.54	+0.04	187.45	0.07	4.28
7	Over 5 years (11)	185.62	+0.43	184.82	0.85	3.89
8	All stocks (13)	184.91	+0.39	184.19	9.77	3.92
9	Debs & Loans (66)	143.27	+0.14	143.07	1.98	8.81

	AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 5	Mon Oct 4	Year ago (approx.)
	British Government				
1	Low	5 years	6.24	6.26	8.06
2	Coupons	15 years	7.07	7.08	9.02
3	(0%-7¾%)	20 years	7.19	7.21	9.28
4	Medium	5 years	6.49	6.51	8.66
5	Coupons	15 years	7.21	7.22	9.51
6	(8%-10¾%)	20 years	7.28	7.29	9.66
7	High	5 years	6.68	6.70	8.91
8	Coupons	15 years	7.43	7.45	9.81
9	(11%-)	20 years	7.45	7.47	9.87
10	Irredeemables(Flat Yield)		7.33	7.37	9.77
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.53	2.53	3.70
12	Inflation rate 5%	Over 5 yrs.	3.15	3.18	4.18
13	Inflation rate 10%	Up to 5 yrs.	1.74	1.74	2.94
14	Inflation rate 10%	Over 5 yrs.	2.97	3.00	4.01
15	Debs &	5 years	7.78	7.85	10.19
16	Loans	15 years	8.12	8.16	10.76
17		25 years	8.27	8.28	10.80

Raine cuts dividend despite rise to £10.8m

By Richard Gourlay

RAINE, the housebuilder and contractor, mada a greatsr than expected cut in its final dividend yesterday after reporting a modest 8 per cent increase in pre-tax profits.

The group is paying a 1p final, down from 4p, halving the total for the year to the end of June to 3p.

Earnings per share increased from 3.73p to 4.34p, but this included an exceptional gain of £3.42m, mainly from foreign exchange gains and a £2.1m provision for closure of its Plumb joinery operation.

Raine's shares fell only 6p to 84p on the unexpectedly large dividend cut. But the shares are now 12 per cent below the 95p rights issue price in March 1992 wben Raine paid £33.5m in shares for Walter Lawrence.

Tbe profits increase from £10m to £10.8m came on sales up 23 per cent at £446m.

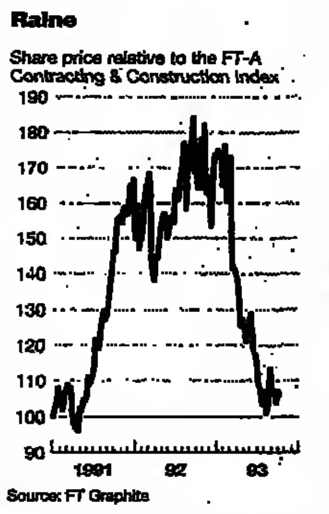
The group also made a further £3.5m provision - directly against reserves - to cover a reduction in value of land bought in Kent and Hampshire as part of the Walter Lawrence acquisition.

Strong cash generation, partly from sale of stock acquired witb Walter Lawrence, helped reduce gearing from 35 per cent to 22.3 per cent on net debt of £26.2m.

Mr Peter Parkin, chairman, said housebuilding was becoming an increasingly important part of group profits. The group increased the number of homes built from 2,442 in 1992 to 3,337 and had enjoyed an increase in visitor and reservation lsvels in the spring.

Mr Parkin said economic conditions for West Venture, the southern Californlan househuilding business, were similar to those in the UK but without the benefit of tbe increased spring activity.

With no sign of economic recovery in southern California, "profit margins may come under increasing pressure," he said.



Source: FT Graphite

Mr Parkin said West Vanture, whicb is tying up $57m (£38m) of gross assets, was up for sale but that there was no pressure for a quick sale.

● **COMMENT**

Raine's greater than expected dividend cut is hardly surprising. Undarlying sarnings stripped of such funnies as the unrepeatable foreign exchange gains just cover the new total of 3p, giving the group a sound base from which to resuma dividend growth in a couple of years. But there was much in yesterday's results to explain why Raine trades at a discount to its peers. There is, so far, little sign of additional profits from the Walter Lawrenca acquisition 18 months ago - and the group made further provisions against the value of the husiness, bypassing tha p&l account to boot. There was also the foreign exchange gain that had little to do with cash or profit. Nor is Raine as pure a UK housing play as Barratt or Wimpey, weighed down as it is by its contracting side, and its distant Californian husiness. Add to that tha fact thet like other housebuilders, Raine is hostage to a good budget in November - in its terms, few VAT increases and further cuts in interest rates - and Raine at a prospective multiple of about 20 on pre-tax profits this year of £13m, deserves to be approached with some caution.

Mercury Asset has 9.65% of Zeneca

By Norma Cohen and Maggie Urry

MERCURY Asset Management, the investment management company controlled hy SG Warburg, has built up a 9.65 per cent stake in Zeneca, the pbarmacenticals company spun off from Imperial Chemical Industries last June.

Warhurg advised Zeneca on its demerger from ICI and its £1.3bn rights issue in June.

Yesterday, Warburg disclosed that it and MAM together owned 10 per cent of Zeneca's shares, triggering a notification requirement to the Stock Exchange under new Companies Act rules which took effect on September 18. Up until then, institutions had to notify the Exchange when they held voting rights of 3 per cent or more of a company's shares.

MAM said that since the flotation it had been huilding the stake on behalf of clients. Bnt because its policy was not to seek voting rights from the clients whose money it handles, tbere had been no need to notify the Exchange.

Meanwhile, it emerged yesterday that the amendment to the Companies Act had several drafting errors in that exemptions from notification requirements shonld have been included for authorised members of invastment exchanges, such as Warburg. Had the rule been properly drafted, Warburg would not bave needed to make its announcement yesterday.

The Department of Trade and Industry said thet amendments to correct the omissions were expected to be submitted to parliament sbortly.

Warburg said that of the 94.5m shares, only 3.3m, or 0.35 per cent of Zeneca's issued equity, was beld by non-MAM parts of the group.

At yesterday's closing share price of 737p, a rise of 8p, Warhurg's bolding is worth £697m.

Johnston cuts loss to £393,000

By Jean Marshall

REDUCED pre-tax losses of £393,000 were announced by Johnston Group, the construction and engineering concern, for the half year to June 30. Losses of £765,000 were reported last time.

Turnover increased to £64.2m (£58.4m) including £3.5m from tbe sale of a development property at Esher, Surrey.

Mr Graham Johnston, chairman, said the UK construction sida suffered from reduced volumes and severe price competition, resulting in "significant losses".

In the engineering division, the road sweeper manufacturing companies suffered a small deficit, largely because of losses in the Californian business acquired in April 1992.

Mr Johnston said that changes were in hand which would improva the US performance. Cost savings, however, had enahled Johnson Engineering in the UK to improve resuits and the construction materials division had shown "a considerahle increasa in profits."

The result benefited from a fall in interest charges to £693,000 (£779,000).

Losses per share were reduced to 4.62p (7.52p). The interim dividend is cut to 1p (2.25p).

Risky changes for a secure future

Alan Cane reports on the new strategy being pursued by Amstrad

MR ALAN Sugar, Amstrad's colourful chairman and chief executive, was in the City yesterday to give analysts the chance to quiz him on the company's 1992-93 trading figures.

An unusual move; be traditionally damands they trek out to his stronghold in Brentwood, Essex.

But anybody hoping that the irrepressibly combative entrepreneur had been chastened by last year's trading loss and the rejection by shareholders of his 30p a share plan to buy back the company would be disappointed.

He was in London to donate a new operating theatre to Great Ormond Street Sick Children's Hospital. "Otherwise it would be Brentwood as usual", he grunted.

Nothing, however, is going to be "as usual" at Brentwood for the foreseeable future. Amstrad is set on a series of changes designed to secure its future but which are, also, in Mr Sugar's opinion, the riskiest of the options open to it.

They include the appointment of a chief executive to oversee a series of acquisitions to take Amstrad into new growth areas, attempts to forge alliances with services companies to secure more dependable revenue streams and a gradual move away from reliance on personal computers which have been Amstrad's biggest money spinner in recent years.

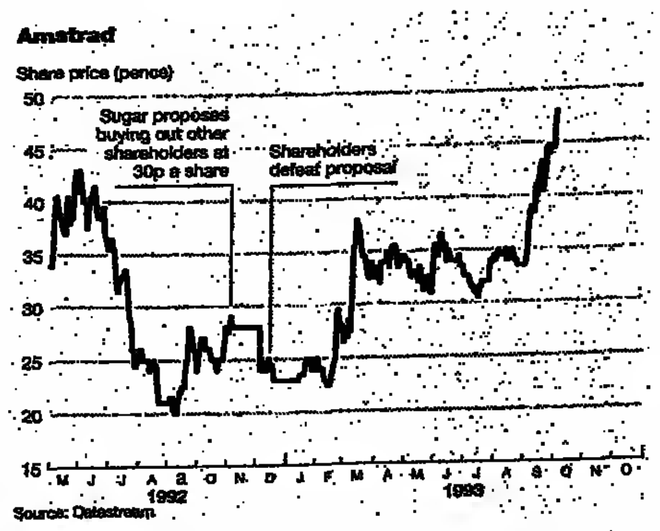
The new strategy arises out of Mr Sugar's argument that Amstrad's core businesses - personal computers, facsimile machines, video recorders and satellite dishes - can produce £15m-£20m a year in pre-tax profits, but not a lot more.

Yesterday's results, showing a £16.3m operating profit including interest, are his evidence: "It is a mature business that we are in. It is highly competitive. The day of the blockbuster product seems to be over - although if one comes along, we are not going to turn it away."

"We have to glue on to the core business other businesses that have a synergy with electronics, electrical goods and so on."

Hence the need for a chief executive. Mr Sugar has no liking for the notion of running a group of 30 or so separate autonomous companies: "It would be very boring. It would be very much accounting, very much reporting. What we need is a chief executive whose qualities lie in these areas".

"We have to have a management capable of looking after all these companies. We've seen the fallen idols of the 1980s; all those people who bought companies one after the other. The only people who seemed to make any money out of it were the lawyers and the merchant bankers."



Source: Datastream

He points to DanCall Radio, the digital telecommunications company which Amstrad bought last month as an opportunistic deal. Tipped off that the company was for sale by a mutual supplier, Sugar bought the lossmaking Danish concern for £6.4m. It gave Amstrad cheap entry to a complex and potentially lucrative technology.

"When we bought the company we bought a lot of inventory and we will churn and turn that into cash and that cash will be used to run the company. The fruits of what is about to start now will be seen in a year to 18 months time when the new digital telephones start to roll off the line."

Mr Robert Watkins, who was identified with many of Amstrad's earlier blockbusters but left to work for Binatone last year, has been lured back as managing director of DanCall.

The main shift, however, is in Mr Sugar's thinking on product strategy. He is clearly irked that markets which Amstrad pioneered - compact audio systems, inexpensive personal computers and satellites - have been hijacked by competitors prepared to lower margins.

He has no doubt that Amstrad can build, for example, a competitive cellular telephone. "It will not be long before the rest of the world catches up. So we have to find ways to make sure that when we create things, we can hold on to it a little longer."

His idea is to strike a deal with cellular service providers. In exchange for a lower-cost handset than they are able to supply at present he will claim some form of commission on the use of the service. Customers in the UK, for example, buy a digital handset for £350-£400. The cost is subsidised by more than £100 by a service provider like Mercury One2One. While nothing has yet been decided, according to Mr Sugar, it will only make commercial sense for a service provider to pay a small commission to reduce or eliminate the subsidy.

Cellular experts agree that Mr Sugar's strategy makes sense. While they question whether he has not left it too late they agree that the DanCall acquisition must have saved several years of basic research.

Would he be following the same strategy today if his attempt to take the company private last year had been successful? "No. The contraction I had in mind was the safest approach for Amstrad. One that could not go wrong. That is not good enough for shareholders. There is no guarantee of success in the route we are following now but it is the only way to try to find a stream of profits."

Shell/BP in $1.2bn oil and gas venture

By Richard Waters in New York and Robert Corzine in London

SHELL OIL and BP said yesterday they would spend $1.2bn (£790m) to develop the largest oil and gas discovery in the Gulf of Mexico for the past 20 years.

The field, known as Mars, was discovered in 1989. It will mark the site of the deepest platform in the Gulf at 2,933ft when production starts towards the end of 1996.

Shell Oil, the US subsidiary of the Royal Dutch/Shell group, will have a 71.5 per cent interest in the development and bear a similar proportion of the costs, with BP Exploration of the US representing the remaining 28.5 per cent.

For Shell Oil the development, 130 miles off the Louisiana coast from New Orleans, will mark a significant addition to production.

The first phase of development is expected to yield 500m barrels of oil equivalent, with a further 200m barrels potentially available in later stages of development. The company's total proven reserves at the end of 1992 amounted to just under 2bn barrels.

At its peak around the year 2000, Mars is expected to produce 100,000 b/d, not far short of the total 136,000 b/d that Shell currently produces in the Gulf of Mexico. The development is also expected to produce 110m cu ft of natural gas a day.

Deep-water sites in the Gulf of Mexico have become a focus for US exploration and development as companies apply new seismic and production technology to the area. Mr John Browne, BP's London-based exploration chief, said the tension-leg platform technology used in the Mars project will, for example, "have valuable applications both elsewhere in the Gulf of Mexico and in other parts of the world."

Although many US-based companies are investing heavily in long-term exploration elsewhere, the application of new technology has made the Gulf of Mexico a more immediate and accessible source of new production from proven reserves.

● BP has sold its interests in the El Qar'a gas field in the Nile Delta concession about 100 miles north of Cairo to Amoco, the US company announced in Chicago yesterday. The price was understood to be about $50m.

Netherlands expansion by IWP

By Tim Coone in Dublin

IWP, the Dublin-based industrial holding group, has announced the acquisition of Levendaal Beheer, a Dutch toiletries and household products manufacturer from PLA, a Netherlands Antilles company, in a cash and shares offer worth I£51.2m (£48.8m).

The deal is expected to boost turnover to about I£150m and pre-tax profits by more than 50 per cent to about I£20m in a full year.

Mr Joe Moran, the executive chairman, said the acquisition "is a very important one in terms of strengthening our customer base, product portfolio, increasing market share, and developing the group's strategy".

IWP has refocused its activities into two core areas in the past few years, chemically-based household products and printed cartons and self-adhesive labels. Its main markets are the UK, Ireland and the Netherlands.

The acquisition will make the Netharlands an increasingly important profit centre for the group, which already has three of its 18 companies there.

The consideration will be satisfied by I£31.8m in cash and I£4.57m from the sala of a loan note. The vendor will also receive a dividend from Levendaal of I£1.52mand I£13.2m for its holding of preference shares in Levendaal, whicb are being sold to a syndicate of Dutch institutions. Mr Moran said that IWP intended to buy these shares at a rate of 25 per cent per year.

There is also to be a placing of 1.35m ordinary shares in IWP at 315p raising I£4.24m, to help finance the deal.

In 1992 Levendaal reported turnover of Fl 111m (£40m) for pre-tax profits of Fl 15.3m. IWP said that the results for the first seven months of 1993, showing pre-tax profits of Fl 8.7m "are ahead of the budget set by the management of Levendaal".

On completion of the acquisition, which has to be approved by an extraordinary meeting of IWP to be held on October 28, Mr Moran will join the board of Levendaal, but tbe existing management will continue in place.

Whyte & Mackay talks continue

Whyte & Mackay, the UK drinks subsidiary of American Brands, is continuing talks with Fleming Investment Management about the possible acquisition of Fleming's 13.6 per cent stake in Invergordon Distillers.

A joint statement last night confirmed that "discussions are taking place which may or may not lead to the sale by clients of Flaming Investment Management, including Fleming Mercantile Trust, of the whole of their holdings ... to Whyte & Mackay."

The statement said that acqoisition of the shares by W&M, which already holds 41 per cent of Invergordon, would result in a mandatory offer for the remainder of Invergordon's share capital.

Diversity of operations helps overcome difficult conditions

James Halstead rises to £8.7m

By Peter Pearse

JAMES HALSTEAD, the Manchester-based floor-coverings, weatherproof clothing and trailers group, more than doubled pre-tax profits in the year to June 30, though the rise was flattered by the adoption of FRS 3 accounting standards.

Profits grew to £8.7m, against a restated £3.84m, affected by bringing the £4.2m costs of closing the Belstaff operations above the line. The group said that the operating profits before interest, which rose by 7.5 per cent to £8.48m (£7.89m), gave a truer measure of the trading performance.

Turnover looked flat at £59.4m (£58.9m), but the latter included some £5m from Belstaff. Group margins were broadly maintained, said Mr Stephen Knight, finance director.

He ascribed the group's ability to overcome difficult trading conditions partly to the breadth of its operations.

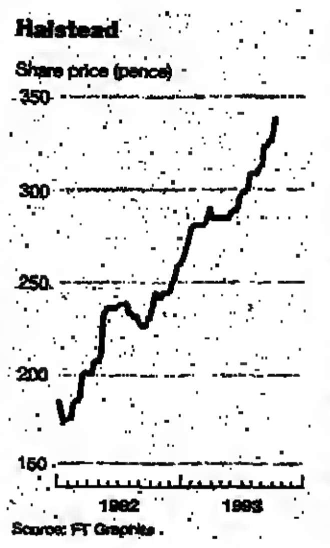
James Halstead Ltd, the core floor-coverings division which accounts for two thirds of turnover, was "marking time for the first time for some time," he said.

With brand leadership and dominant market share in commercial sheet vinyl flooring, he added, it was difficult in the current climate to raise sales.

Profits at Conway Products, the trailer tents, trailers and security cabins business which received an offer to buy during the year, fell in all its areas, though none will be abandoned.

Driza-Bone, the Australian stockman's coat company, did well in spite of a second consecutive rain-free winter there. However, exports now account for 30 per cent of sales.

Cash balances grew to £5.8m (£3.1m) over the year and complementary infill acquisitions were being considered, said Mr Knight. Interest receivable fell to £45,000 (£156,000).



Earnings advanced to 20.23p (8.94p) and a 4p final dividend makes 6.5p for the year – an increase of 8 per cent.

● **COMMENT**

There does not seem to be too much wrong with the management, the products or the group – it has a market beating brand name in its core business and has the sense to invest heavily in that when there is no growth in the market. The benefit should accrue when the construction and refurbishment sectors are beginning to come back. Fine. *Conway is sufficiently highly thought of for offers to be made.* Not bad. And the smaller parts of the group have sparkled. Excellent. Yet, a *thought persists: is the group* doing enough to exploit its brands. With almost £9m pencilled in for the current year, the p/e will be 17, highish but *supported on the dividend* yield.

Silentnight expanding in cabinets

By Andrew Bolger

SILENTNIGHT Holdings said it continued to maintain its dominant position in the UK beds market, of which it controls more than 30 per cent, even though sales increased only marginally in the six months to July 31.

Mr Bill Davies, chairman, said the main opportunity for growth was in the rapidly-expanding cabinets business.

Silentnight has invested heavily in cabinet technology using sophisticated printed foils, which have a similar appearance to cheaper wood veneer finishes.

Bill Davies: investing in cabinet technology

● **COMMENT**

These were an impressive set of results, with the core UK beds business continuing to generate cash and healthy margins in spite of a flat market. The German acquisition has also performed better than expected, even if the onset of recession suggests it may now mark time for a while. The group will also be pleased to have stopped losses at its US operation which – though never quantified – were described to analysts as "big enough to be unpleasant". However, Silentnight shares have outperformed the market by *50 per cent this year and* are now trading on a prospective multiple of 20, a significant premium. The group's success in Germany, the US *and with cabinets bodes well* for the future, but the chairman's downbeat note on the second half would suggest the shares are up with events.

Walker Greenbank at £3.4m as demand picks up

By Catherine Milton

INTERIM pre-tax profits at Walker Greenbank rose from £1.89m to £3.35m as demand for domestic wall coverings began to pick up early this summer followed by an increase in commercial orders.

The comparison was flattered, however, by the restatement of the year earlier figure to reflect new accounting standards. One-off items netting out to a charge of £393,000 were increased to £1.19m, mainly because of the treatment of property disposals.

Operating profits from continuing activities in the six months to July 31 rose to £3.54m (£3.38m) on flat sales of £29.9m (£29.5m).

"We definitely see a gradual underlying improvement in the UK. We see economic recovery coming through on to the bottom line," said Mr Charles Wightman, the chief executive.

He added: "The turn on the consumer side came last summer, but I think it has been particularly marked in the last four or five months. The recovery is stronger on the consumer side, but it is present in the commercial side too and it is sustained."

He believed the improved trading picture partly reflected the company's increasing market share. Walker Greenbank has about 10 per cent of the total UK market in wall coverings, but 60 per cent of the UK market for commercial wall coverings.

He said overseas sales were growing by about 30 per cent but from a low base.

The company's acquisition in April of John Hartley, the Yorkshire-based furniture upholstery fabrics company, contributed £752,000 to sales but turned in an operating loss of £12,000.

"Hartley's has now traded profitably for the last three months," Mr Wightman said.

He said the company had anticipated that the £1.6m acquisition, which was funded by a £2.7m share placing, would not affect earnings per share, but now thought it might enhance earnings this year.

The placing had helped strengthened the balance sheet and interest charges dropped to £181,000 (£301,000).

The company had borrowings of £2m (£6m) at the halfway stage giving gearing of 6.6 per cent (23.8 per cent). It expects to be virtually ungeared by the year end.

The interim dividend is held at 1.2p with the board aiming to reach dividend cover of 2 times. Earnings per share rose to 2.44p against a restated 1.08p.

Change of strategy at Murray Enterprise

By Nigel Clark

MURRAY Enterprise, the investment trust, is switching its investment strategy from European unlisted securities to UK listed smaller companies.

It was also announced that Murray Johnstone had liquidated the holdings in Murray Enterprise of its other managed trusts, Murray International, Murray Smaller Markets and Murray Ventures.

The shares rose 25p to 233p, reducing the discount on its net asset value which was put at 246.7p on October 4. An analyst said that as a result of the liquidation of the stake the shares were not trading at such a large discount and this was pushing the shares higher.

Murray Enterprise forecast that it would pay a dividend for the year to September 30 1994 of not less 4p, against 1.31p last time. In addition it is planning a bonus issue of warrants for early next year.

Proposals should be ready to be put to the annual meeting.

The trusts sold their total holdings of 25.82 per cent of the ordinary shares and 44.8 per cent of the zero-coupon convertible unsecured loan stock 1994 at 222p. They were placed with institutional investors.

Murray Enterprise's existing portfolio will be liquidated when investments conditions permit, the proceeds being invested in accordance with the new policy.

Enterprise's main investments are in Fleet Call and Envoy Corporation as well as holdings in Bowater and BAA.

Baillie Gifford Tech net asset value dips

Baillie Gifford Technology, the investment trust which received a bid approach late last month, yesterday reported a net asset value of 7.3p per share as at August 31. The figure was a slight fall on the 7.5p at the year-end in February.

Net losses for the half year to end-August were reduced to £11,872 (£16,859) for losses of 0.11p (0.15p) per share.

Albert Fisher builds up US fresh produce side

By Andrew Bolger

ALBERT FISHER, the food processing and distribution group, has agreed to pay up to $4m (£2.6m) for Imperial Produce, a Washington-based distributor of fresh produce and prepared salads and vegetables.

Imperial, which has annual sales of more than $15m to food service businesses in the US capital, is the latest US acquisition by the UK group, which already has strong market positions in Florida and California.

In July Fisher paid $4m for a Texas distributor. Mr Stephen Walls, executive chairman, said this acquisition "completed the jigsaw" in the south-east of the US.

Imperial was already well *down the road of Fisher's chosen route*, which was to focus increasingly on providing more profitable products – such as pre-cut salads – to customers in the catering business.

This is the latest in a series of deals by Mr Walls, who took over as chairman last year from Mr Tony Millar, who built Fisher rapidly by acquisition during the 1980s.

In January, Fisher paid £29m for Hunter Saphir, the fresh produce, herbs and spice company, and assumed £9.8m of debt. In May it sold Hunter Saphir's herbs and spices business for £25m to Burns Philip, the Australian group.

The group also hopes to raise an estimated £20m-£25m by this month by spinning off Charles Sidney, its Yorkshire-based Mercedes-Benz commercial and passenger car dealer, through a full stock market flotation.

A Beckman reduced to £790,000

Higher interest charges left A Beckman, the textile and property group, with a drop in pretax profits from £903,000 to £790,000 for the year to June 30.

Turnover advanced to £14.4m (£12.3m). Net interest payable rose to £516,000 (£429,000). The proposed final dividend is cut to 2.38p (3.15p) making 3.58p (4.78p) for the year. Earnings per share were 4.7p (5.2p).

Fine Decor marginally ahead of forecast with £1.33m

By Catherine Milton

FINE DECOR Group, the wallpaper designer, manufacturer and distributor, yesterday announced interim results marginally ahead of its own forecasts made when it came to the market in June.

Actual trading figures revealed pre-tax profits of £1.33m (£871,000) for the six months ended July 31 while at the operating level there was a surplus of £1.66m (£1.32m), ahead of its prospectus forecast of £1.62m.

The board declared a 1p interim dividend, again meeting its flotation forecast, out of earnings per share of 8.1p (5.8p).

The board is maintaining its prospectus promise to recommend a total for the current year of not less than 7.5p on an annualised basis and an actual value of 4.7p.

Mr Roger Regan, chairman, said that "the board are satisfied by the continuing trend of sales during the second half in the light of prevailing economic conditions".

Mr Regan, who is also chairman of Spring Ram, said trading conditions in the first half had been "difficult" in the UK and elsewhere for the company, which exports to 30 countries.

Total sales rose to £19.2m (£17m). Exports rose 14 per cent to £7.48m (£6.56m) with "significant progress" achieved in North America.

Interest charges dropped to £333,000 (£447,000).

At the half way stage the company had net borrowings of some £4m for gearing of 49 per cent. This compared with net borrowings of £8.24m and gearing of 437 per cent, reflecting the company's origins as a management buy-out.

Net cash inflows from operating activities dropped drastically to just £47,000 (£1.26m). The company said the change reflected stronger than expected sales in July which pushed up the level of debtors, a seasonal build up of stocks and the launch of some new products ahead of schedule.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amstrad	fin	0.3	Nov 26	nil	0.5	0.4
Barry Wehmiller	fin	4.3	Jan 5	4.3	8.7	6.7
Beckman (A)	fin	2.38	Jan 4	3.15	3.58	4.78
Black (A&C)	int	4.25	Nov 5	4.25	-	13.5
Cream (James)	int	5.635‡	Feb 28	7.865	-	12.5
Doeflex	int	1.6†	Nov 22	1.6	-	4.6
Fine Decor	int	1	Nov 26	-	-	-
Halstead (James)	fin	4	Dec 7	3.75*	6.5	6*
Johnston Group	int	1	Dec 16	2.25	-	3.25
Raine	fin	1	Nov 26	4	3	6
Silentnight	int	2.75	Jan 4	2.25	-	6
Walker Greenbank	int	1.2†	Dec 6	1.2	-	3.1

†On increased capital. *Adjusted for scrip issue. ‡ Irish currency.

COMPANY NEWS: UK AND IRELAND

Barry Wehmiller rises 8%

By David Blackwell

BARRY Wehmiller International, the packaging equipment manufacturer, lifted pre-tax profits by 8 per cent, from £6.55m to £7.1m, for the year ended July 31.

Turnover of the group, which makes about half its sales in dollars, rose by more than 15 per cent from £73.7m to £85.2m. About £4m of the increase was a result of the strength of the dollar against sterling.

Mr Stewart Brown, chief executive, said yesterday that the group had benefited from its industrial and geographic spread at a time of difficult markets.

It had found new business in the Far East and Latin America to offset lower sales in its traditional European and US markets. However, margins in the new markets were lower, while margins in Europe and the US continued to be under pressure.

Turnover in the pharmaceutical and general packaging division rose from £38.6m to £46.1m, generating operating profits of £3.5m (£2.26m). The group said that sales to the pharmaceutical and personal care markets now accounted for 33 per cent of the group total.

The vision division, which scans bottles and packages, also lifted operating profits, from £670,000 to £1.26m on turnover of £20.9m (£18.2m). Both volumes and margins had strengthened, Mr Brown said.

Operating profits at the food equipment division fell from £3.49m to £2.1m on turnover of £18.2m (£17m). Mr Brown said the fall reflected an unprecedented low investment level from the UK dairy industry, which is undergoing a structural change with the demise of the Milk Marketing Board.

Mr Brown expected demand for capital equipment to remain slow and unpredictable in the US and Europe. Nevertheless, he felt that the last two years of consolidation were now behind the group, which has started to look for acquisitions.

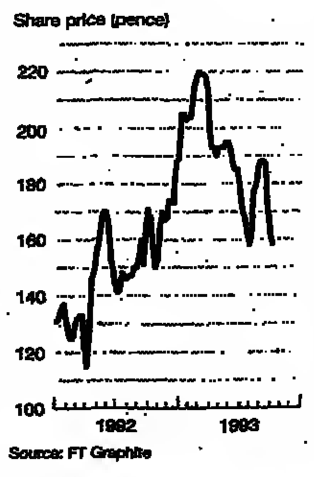
Total operating profits were up from £6.42m to £6.8m. Net interest receivable was £279,000 (£133,000).

Net cash in hand at the year end was £2.6m, down from £4.9m last year, mainly because of exchange factors.

Earnings per share rose to 11p (10.7p). An unchanged final dividend of 4.3p is proposed, giving a maintained total for the year of 6.7p.

Barry Wehmiller

Share price (pence)



Source: FT Graphite

NEWS DIGEST

A&C Black slips to £244,000

A DROP in its publication programme led to reduced turnover at A&C Black, but some improvement in margins together with a further fall in net interest payable, meant first-half 1993 pre-tax profits were only £10,000 lower at £244,000.

Turnover of the group, which publishes yearbooks, children's and general books, fell 10 per cent to £3.38m. Mr Charles Black, chairman, said the publication programme for the second half was comparable with last year and directors were hopeful of a reasonable outcome for 1993 as a whole.

Net interest charges were £10,000 (£35,000). Earnings per share slipped from 11p to 10.6p, while an unchanged interim dividend of 4.25p is declared.

Europa Minerals returns to black

A strong gold price, increased production and reduced costs helped Europa Minerals, the mining group, return to profit in the six months to July 31.

Pre-tax profits for the first half were £652,000 against a loss of £313,000 last time; after tax and minorities there was an attributable profit of £86,000, against a loss of £575,000. Turnover was up 8.6 per cent at £9.7m.

Earnings per share were 0.3p (losses of 4.3p).

Details of the proposed three-way merger between Europa, Burmine and Austmin are being finalised and should be posted to shareholders at the end of the month.

Meanwhile, Mount Edon Gold Mines has announced a conditional cash offer for Burmine. This will be considered when a formal offer is made, but at this stage Europa - which has a 38.5 per cent stake in Burmine - intends to proceed with the planned merger.

Minmet acquires CDC Landscape

Minmet has acquired CDC Landscape, a contract landscaping and grounds maintenance company operating mainly in the UK.

Consideration for all the issued shares was £1. Minmet has also provided £270,000 from existing cash resources for CDC Landscape to discharge a debt to Midland Bank and other members of CDC Group. In addition, a £100,000 payment will be made to Mr Alan Clarke in the form of Minmet shares at a price of 4p each. A further payment of up to £130,000 is profit-related.

Management accounts for the 10-month period to July 31 indicate an annualised pre-tax profit for CDC Landscape of about £100,000.

Minmet will bring the operations of CDC Landscape and its Solent Trees subsidiary together under Groundsland, a new holding company.

Amicable Smaller may increase size

Directors of Amicable Smaller Enterprise Trust said they were considering, with their advisers, a placing and offer of additional shares to increase the size of the trust.

Any raising of additional capital will be structured to ensure no dilution of the net asset value of existing shares.

The offer will be made available to all existing shareholders, including those holding shares through the Scottish Amicable personal equity plans.

FKI in £900,000 buy from John Wood

The engineering offshoot of FKI, the West Yorkshire-based electrical engineering and electronic components company, has paid £900,000 cash for the business and certain assets of Wood Group Industrial Controls from John Wood Group, as a going concern.

Aberdeen-based Wood will trade as FKI Industrial Controls.

Perry extends deadline on rights

Following representations from shareholders, Perry Group, the motor dealer, and NatWest Markets Corporate Finance have extended from September 20 to October 15, the deadline by which holders can satisfy either the company or NatWest Markets that an exemption under relevant North American legislation - entitling them to participate in the rights issue - is applicable.

Office products fall hits J Crean

By Gary Evans

A REDUCED contribution from its office products division meant pre-tax profits of James Crean, the Dublin-based industrial holding company, slipped from I£7.78m to I£7.68m (£7.34m) in the first half of 1993.

Sales grew 8.5 per cent to I£120.9m, while earnings per share edged up to 12.8p (12.5p) because of the buy-out in January of the minority in Valley Fresh Foods and a slightly lower tax charge.

An interim dividend of 5.635p (7.865p) is declared but a final of not less than 6.865p is forecast for a maintained total of 12.5p – the directors have reiterated their policy of a progressive dividend policy.

Crean blamed a £1.1m fall to £600,000 in profits from office products on adverse market circumstances. Elsewhere, food and beverages turned in £5.6m (£4.8m), Inishtech made £4m (£3.7m) and electrical wholesaling £600,000 (£700,000).

Directors said the trading pattern had not changed materially since the end of June and with the exception of office products, all operating divisions continued to perform satisfactorily.

Market conditions are expected to remain difficult for the office products businesses for some time.

The US contributed the bulk of profits with £5m (£4.4m), helped by a more favourable dollar/punt rate. Irish profits were unchanged at £1.1m, while the European performance was lower at £4.7m (£5.4m).

Group borrowings at June 30 were I£86m, against I£72m at the same time last year and I£70m at the year end. This represented gearing of 93 per cent, compared with 77 per cent at the year end.

Profits of TRD Group were included up to the date of disposal in June.

Allied Irish gets I£55m compensation from E&Y

By Tim Coone in Dublin

ALLIED IRISH Banks, the Republic's largest clearing bank, has accepted a $55m (£36m) out of court settlement of a claim for damages against Ernst & Young, the accountancy firm.

The firm were auditors to the Insurance Corporation of Ireland which AIB had bought for I£45m (£43m) in 1983. However, two years later it was put into receivership with outstanding liabilities of more than I£300m.

A total of $110m is to be paid to AIB and Icarom, formerly Insurance Corporation, divided equally between the two.

AIB's disastrous foray into the insurance business became apparent when it was discovered that there had been significant underprovisioning in Insurance Corporation, involving a wide range of insurance cover throughout the world, including horse-breeding and space rockets.

The level of provisions for reinsurance business written through London was apparently especially poor. In many cases business was placed with reinsurers without a strong track record.

AIB attempted to shore up the company with a further injection of I£40m, but in 1985 disposed of the company to the government for a nominal sum of I£5.

The government called in a receiver, and AIB agreed to contribute I£5.5m for 15 years to meet Insurance Corporation's outstanding liabilities.

By the end of 1991, the liabilities still remained in excess of I£270m. In a final settlement last year with the government, AIB agreed to contribute a further I£8.8m per year for the next 20 years. The final cost to AIB of its involvement with Insurance Corporation will be close to I£250m.

Mr Gerry Scanlan, AIB's group chief executive said yesterday: "I am pleased the issue has been brought to a conclusion and all of us in AIB can focus fully on the task of growing and developing the group at home and abroad."

The damages claim was made against E&Y's Irish partners and is to be paid by the firm's insurers. It is thought to be the largest settlement to be made in a damages case against an accountancy firm outside the US.

The payment has been made without admission of liability.

Ulster TV results overtake 'unsustainable' business plan

By Raymond Snoddy

MR ALAN WRIGHT, the independent television producer who failed to win the Northern Ireland commercial television franchise with his TVNI consortium, is one of the most frustrated would-be broadcasters in the UK.

The Independent Television Commission threw out TVNI's business plan, based on a £3.1m-a-year bid, as unsustainable. However, Ulster Television, the incumbent which survived with a bid of £1.03m, is already performing better in the battle for advertising revenue than TVNI's projections.

"We were projecting advertising revenues of £25.25m for 1993 and a share of net advertising revenue of 1.65 per cent," Mr Wright said yesterday.

Last month Ulster Television announced a pre-tax profit of £1.97m on revenues of £13.2m for the first six months. Last year Ulster had higher revenues in the second half and this year there are signs of rising ITV revenues this autumn.

The advertising industry believes that Ulster's share of the ITV total has risen to 1.78 per cent, boosted by a growing tendency for large companies to buy their advertising on an all-Ireland basis.

Mr Wright, who was director of programmes in the TVNI consortium, says his company would have been profitable at the advertising levels now being earned by Ulster despite the higher bid.

"My reaction is is one of enormous frustration, particularly because we did not have the opportunity to test the ITC's judgment in court."

TVNI and TVS applied for a judicial review of the ITC's decisions but were turned down by the High Court because of delay. The application came eight weeks after the ITC decision following Television South West's granting of a review, which ultimately failed.

The ITC declined to comment, although the authority would clearly argue that it made its best judgment on the facts available at the time.

McKay £5.7m sale

McKay Securities has sold St Lawrence House in Bristol for £5.74m, a figure in excess of book value. The building currently produces rent of £588,6[illegible] and the initial yield to the purchase in just below 10 per cent.

Tadpole Technology

Tadpole Technology has issued 400,000 ordinary shares at 300p each which have been placed by Albert E Sharp with institutional investors.

COMPANY NOTICES

PERSONAL

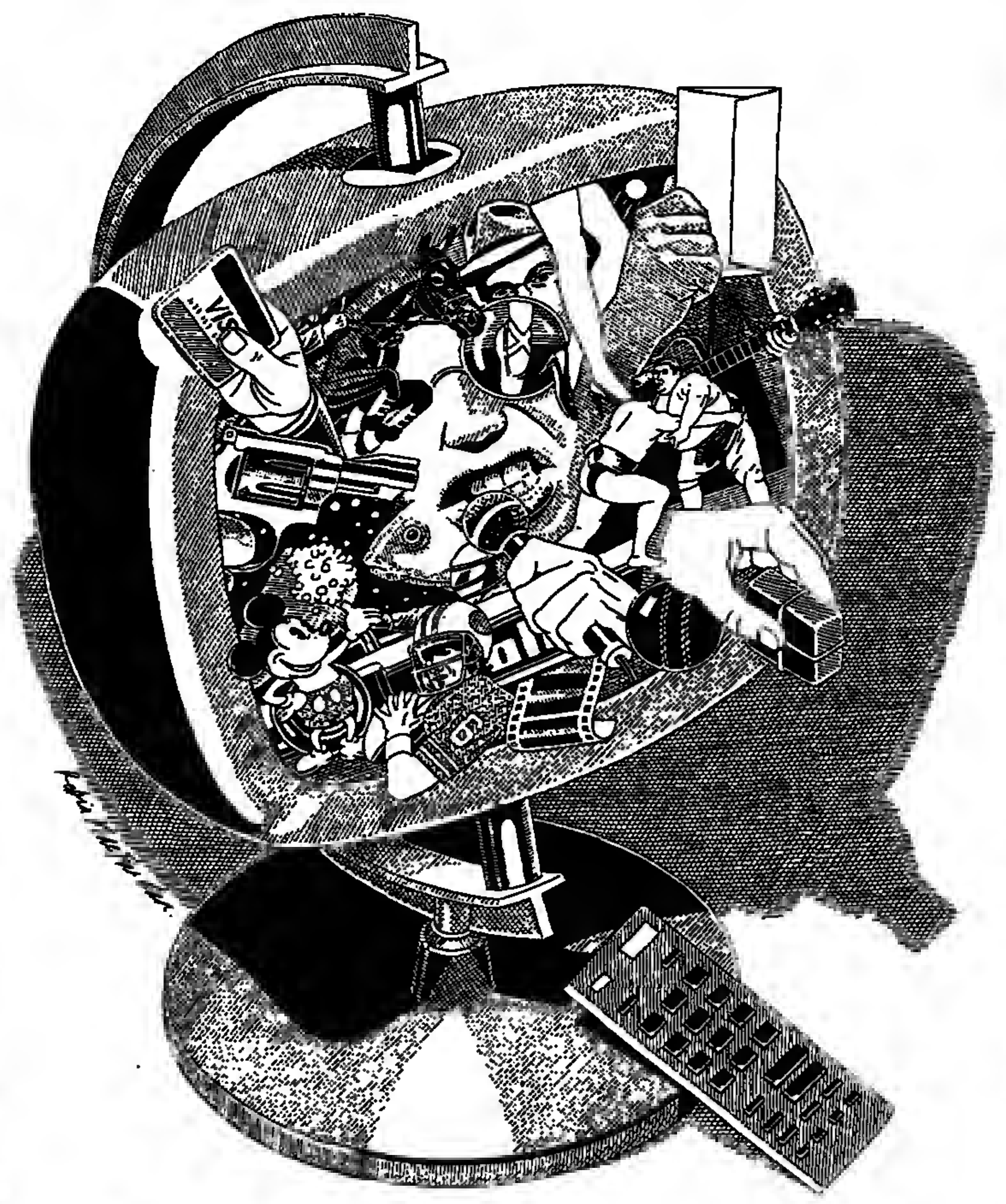
FINANCIAL TIMES SURVEY

CABLE TV AND SATELLITE BROADCASTING

Wednesday October 6 1993

Rapid changes in technology herald a gradual move away from public service monopolies and the mass media to individual programme selection. As new media empires start to emerge, **Raymond Snoddy** considers the likely prospects for the consumer – and the entertainment provider – in this brave new world

The power of choice, with the promise of a digital future



The new headquarters of MTV Europe, in a North London building that was designed by architect Terry Farrell, are impressive by any standards. Tha international pop music satellite channel has recently expanded out of its former modest, cramped premises in a far less fashionable part of London, to *inherit the Camden premises* of TV-am, the commercial breakfast television station that lost its licence and went off the air at the beginning of this year.

The office of Mr Bill Roedy, the MTV managing director, overlooking the Grand Union Canal, used to be occupied by David Frost, and the MTV executive has kept a picture of TV-am's most famous broadcaster on the wall.

The famous TV-am egg cups are still on the roof of the building, hut nowadays instead of chat at breakfast the studios transmit MTV 24 hours a day to about 55m homes around Europe and the Middle East. Two more channels are on their way across the Atlantic from Viacom, owners of MTV. Nick-at-Nite, which offers entertainment for younger adults, and VH-1, Video Hits One which focuses on video hits from the past. They could also come out of studios where until recently Mr Bruce Gyngell, the chairman of TV-am, reigned supreme.

The progress of MTV Europe over the past six years, symbolised by its new headquarters, is to a considerable extent a paradigm of *the growing international* ambitions, reach and technical potential of the new media.

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So as to improve its coverage, MTV Europe is now on four different satellites and last month it arrived for the first time in both Cyprus and Turkey, through deals with local broadcasters and cable operators. There was also a press conference, held on a bomb site, to mark the arrival of the service in Lebanon.

In January MTV Europe will use digital compression technology on at least one of its satellites so that it can squeeze four channels into the satellite capacity presently occupied by one in providing a service to cable networks.

The company declines to disclose financial figures hut it is now believed to he at least modestly in profit, almost certainly the first pan-European channel to move out of loss, with revenues of more than $70m a year and more than 200 advertisers.

"In September (ie last month) we took more advertising revenue than in the whole of 1990," is all Mr Roedy will say.

He adds, however, that on his travels be has seen MTV not just at the Czech airport in Prague, in nightclubs in Moscow, or in Reykjavik in Iceland but also in the En Gedi kibhutz at the hase of Masada in Israel, in souks in Marrakesh and in a fallout shelter converted into a nightclub in Bratislava, Slovakia.

Mr Roedy only just stops short of claiming credit for the fall of the Berlin Wall for his irreverent service although he points out that MTV was there two days later, hroadcasting to the former east Germany and was invited into Lithuania as a step towards democracy and free flows of information while President Landsbergis was barricaded in his office, resisting the Soviet army.

He says he is going to try to make sure that MTV *gets to the* Gaza strip and Jericho following the Middle East peace agreement, whether or not it adds much to his advertising revenues.

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Across London in Battersea, a new consortium has inherited the plush remains of another broadcasting misfortune in Marco Polo house, headquarters of British Satellite Broadcasting until it was rudely merged with Mr Rupert Murdoch's Sky Television to form British Sky Broadcasting.

Pearson, owner of the Financial Times, was a major shareholder in BSB and has a 17.5 per cent stake in the merged BSkyB satellite venture.

Now, the magnificent atrium and the marbled toilets, where in the BSB days fresh flowers were placed every day, are occupied by broadcasters of a very different hue.

On October 1 QVC, a joint venture between QVC of the US and Sky Television, went on the air – the UK's first 24-hours-a-day, 365 days a year shopping channel.

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In *the US the QVC channel, run* by Mr Barry Diller, former head of the Twentieth Century Fox studios, had a turnover of $1hn in 1992-93. The company is bidding against Viacom to take over Paramount, one of the Hollywood majors. In the UK the joint venture will he pioneering the round-the-clock selling of a wide range of domestic, consumer and electrical goods costing between £10 and £500, largely hy credit card.

Presenters will be responsible for three-hour live stints – with a particular theme bringing together groups of goods being offered every hour. At least to begin with the programme will not he live for all of the 24-hours with repeats heing broadcast in the early hours.

All the goods will actually be owned by the consortium and be ready for dispatch from their own warehouse to customers who should receive them usually within three or four days. Because the productions are live, if a item sells out the presenter can move on rapidly to the next series of goods.

Mr Peter Ridsdale, the chief executive, promises that the channel, which is part of the *Sky* multi-channel subscription package, will emphasise quality rather than cheapness hut adds that discounts will average around 20 per cent on shop prices because of the lower *overheads* involved. *In* the beginning a wide range of goods will be offered to see which go down best.

The service will be the first of its kind in the UK with its own dedicated channel although there are rivals such as Sell-A-Vision, a joint venture between two cable programme companies, Flextech of the UK and Quantum International, part of the National Media Corporation of the US.

The Sell-A-Vision service, aimed at the larger European market, takes on unused morning hours on other channels and focuses on "infomercials" – long films on tha virtues of a particular product. It is hroadcast in four languages, English, Dutch, German and French, for up to 55 hours a week on the Astra satellite. According to Mr Roger Luard, chief executive of Flextech, profits are rising month-on-month.

In London leading cahle operators have also improved their programme services hy huilding a link between their franchises – "the London interconnect" – and setting up a special channel for cahle called Wire TV.

The London interconnect allows cable operators to exchange new programme services such as Performance, devoted to the arts, and Identity, specialising in black programmes, which no single cahla operator could provide on its own. Satellite transmission would he too expensive for such services and the interconnect is much more practical than delivering video cassettes hy motorcycle all over London.

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There are even plans for a London news channel and talks are helieved to he going on with a number of newspaper groups. The next stage is to link the London cahle network with Birmingham and in time it is expected that all the hig cahle franchises in the UK will be able to communicate with each other and exchange programmes.

Such links not only open up the possibility of creating a greater diversity of new channels but should also make the cable audience more interesting to advertisers. At the moment the

Continued on next page

A five-industry giant emerges

Continued from previous page

multi-channel universe – a total of 658,884 households at the beginning of July could receive st least some of the new channels – is too fragmented to appeal to national advertisers. The ability to reach all the cable households in London with s single sdvertisement could hegin to change that.

Down in Bristol, the headquarters and studios of Wire TV, the new channel supported by the large cable players and operated by United Artists Programming, are much less plush.

In fact, in an echo of the access television pioneered by Mr Moses Znaimer's CityTV in Toronto, a lot of the programme time is sst in a shopping mall and there are experts such as doctors and lawyers on hand to give advice. But the emphasis is on informality snd almost anything can happen.

Mrs Joyce Taylor, chief executive of United Artists Programming, whose programme interests range from Discovery, the documentary channel to Bravo, the classic films channel, or as they are trying to market it today "timewarp television", sees Wire TV as closer to a commercial radio station with pictures than conventional television.

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Wire TV is meant to provide a national backbone of programmes to hold together the local programme offerings of cable operators around the UK and an outside broadcast van trundles around the country making programmes.

The 5-7pm period each evening is designated as an opt-out slot when operators can insert their own local news programmes. It is also part of the process of making sure cable television has channels and attractions of its own on top of those common to satellite.

The life and diversity of international, national regional and local programmes ranging from MTV to QVC snd Performance to Wire TV gives a suggestion of whst is happening in the cable and satellite television market and the way an increasing number of services is being delivered, in addition to the offerings of the traditional broadcasters.

Yet all the signs are that what is available now is very much the beginning.

Large international corporate forces taking advantage of rapid technological change are gathering, which are likely to transform the media business over the remaining years of this century and equally transform the level of choice available, at least in theory, to consumers.

Politicians glibly revive old visions of creating "super-highways" of limitless capacity down fibre optic strands as thin as a human hair, usually without going into the specifics of how it is going to happen and who is going to pay.

But 10 years after the first wave of such talk, this time at least there is some reality to the vision.

In a notable piece of investment research last year Goldman Sachs predicted that because of rapid technological developments in computer software and hardware, consumer electronics, cable and telecommunications industries, "a true revolution in the delivery of entertainment, information, transactional and telecommunications service may be at hand".

The analysts argued that the marrying of the cable converter box with the computer, the turning of television pictures into digital form and their compression and the use of fibre optics and personal computer software would ultimately allow "immediate access to and manipulation of a bounty of information and informational products".

They called it the new world of Communacopia.

Predicting the precise timing of such a process, when the consumer will start realising he lives in Communacopia, and he prepared to pay, and forecasting who will be the winners and losers in such a world are challenges of a different order to noting that a number of industries are converging.

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According to Mr Nicholas Negraponte, director of the media laboratory at the Massachusetts Institute of Technology, there is simply no doubt. The future is digital. And when everything from television to telecommunications can communicate in digits, the language of computers, the extra choice that becomes available will lead to a gradual move away from the concept of mass media to one of personal media and individual choice.

Of course people will still read a general newspaper or magazine and watch a mainstream television channel to be surprised, amused, come across something they did not know they wanted to know, or share in the feeling of being part of a larger society or culture.

But increasingly, Mr Negraponte believes, there will be a growing tier of personal media both visual as well as print and that computers will he programmed to hunt databases and programme libraries to assemble specific packages of informstion or programmes to match the taste and needs of individual consumers.

Bill Roedy, managing director of MTV Europe

Mr Rupert Murdoch, chairman of the News Corporation, would certainly not go so far as Mr Negraponte – or at least not yet – but he keeps in touch with the latest developments in media technology.

Last month he expressed what is rspidly becoming conventional wisdom at a high-powered dinoer in London's Whitehall held to mark the transformation of Sky into a largely subscription package.

Five major industries – computers, telecommunications, television, entertainment and telecommunications – were converging into a single giant industry which would be the third largest in the world, he said.

"We feel that our company, with its worldwide network of talent, can make an important contribution to this exciting industry and, in the process enrich the countries in which we and their peoples work," the News Corporation chairman said.

The speech and a flurry of announcements that preceded it – everything from the purchase of a controlling stake in Star TV in Hong Kong which broadcasts to 38 Asian countries, to joint television venturas in Mexico and Germany, led critics to conclude that Mr Murdoch had embarked on a new phase of his bid for worldwide media domination now that he had largely broken free again from the debts and bankers who nearly took the company under three years ago.

He did not manage to persuade everyone with his further claim that technology was undermining the power of the individual media mogul by greatly increasing the number of possible competing choices available.

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One of the key technologies Mr Murdoch was talking about was digital compression – turning television pictures into a digital stream and manipulating them.

Digital television equipment is already commonplace in the backrooms of the television industry, in such places as editing suites and special effects where they can turn reality on its head and send things whizzing through the air.

But much more than visual gimmicks can be achieved. Turn a picture into digital form and you can either have a wide screen with enhanced quality picture, a large number of new channels or a trade-off between the two.

Consumer electronics manufacturers would very much like to sell their customers new high definition television sets .

One day no doubt they will, hut early indications from the marketplace would suggest that more consumers are interested in having an increase in channels thsn seeking sometimes evolutionary enhancements in the television picture that are more readily noticeahle to television engineers than those who already quite happily watch appalling pictures with badly tuned aerials.

Companies such as National Transcommunications, the former transmitting and engineering arm of the old Independent Broadcasting Authority in the UK, Scientific Atlanta and Compression Labs of the US are already offering digital compression systems.

A National Transcom system is being used this autumn to turn one channel into three for FilmNet, the Brussels-hased European film channel.

The Astra satellite system is planning to offer digitslly compressed channels from 1995 – as long as agreement has been reached on standards – something that seems increasingly likely.

Last month 85 msnufacturers and hroadcasters from 12 countries met in Bonn to set up the Digital Video Broadcasting project to draft a European standard by the end of this year which will incorporate, whsre possible, the work of the Motion Pictures Expert Group and the emerging standard known as MPEG 2 .

Agreement could mean the prospect of 150-channel television systems for Europe would then open up. Eutelsat, the rival satellite system to Astra which is owned by the post and telecommunications organisations of Europe, plans to offer digital on a satellite due for launch in 1996 – Hot Bird Plus. A large number of compressed channels is also likely on the Star system by 1995.

In digital compression a great reduction in the amount of information that has to be transmitted is achieved by storing the elements of a television picture that do not change from one frame to the next.

Instead, only the information covering movement, or any other new elements in the picture, is transmitted.

The savings in information are so great that, depending on the quality of picture required, as many as 10 television channels can be squeezed into the space previously occupied by one channel.

Not only does digital technology mske more channels possible, by reducing the cost of delivery a wider range of minority channels broadcast by satellite becomes financially viable.

So far, digitally compressed channels are being sent only to cable networks rather than direct to the consumer. This is the quickest way to achieve savings because only one decoder is needed at the cable head end to serve the eotire cable network. Domestic decoders are now being designed and the first digital television service to the home will be launched next year.

This December a Hughes Aircraft company satellite will he launched from French Guyana, a satellite which by April 1994 will be hroadcasting a digitally compressed service of between 70 and 80 channels to dishes of less than 18 inches diameter over the entire US continent. A secood satellite is due to go up in mid-1994, which will mean the system will be ahle to offer a total of 150 channels.

"Everything is on schedule," the operating company DirectTV said this month. The domestic equipment is being manufactured by Thomson Consumer Electronics.

About 50 to 60 of the channels will be given over to "nearly video-on-demand". Five or six satellite channels can he devoted to a single popular film and the showing times staggered so that the viewer is never more than 15 or 20 minutes away from the beginning of the film on one of the channels.

DirectTV also plans to run a hatch of channels aimed at rural areas of America which are not cahled or cannot receive television signals without erecting enormous dishes. There will be special events and sports channels covering games not shown on network television. DirectTV expects its subscrihers to spend something like $25 to $30 a month on the services availahle.

It is too early to judge how well DirectTV will fare – previous high power satellite television services in the US have foundered largely because more than 60 per cent of the population are already hooked up to cable networks. The receiving eqnipment is expected to sell at $699 to $899, not including installation. This compares with between $1,500 and $2,500 for existing backyard dishes which can be as large as three metres in diameter.

Some US observers think that DirectTV could at least dent cable's growth as well as making inroads into the 3m homes in the US that have very large dishes.

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A number of large US media groups are looking at different ways of delivering greatly increased choice and pay-per-view movies, through cable networks as well as satellite.

Time Warner, for instance, the world's largest media group, is already running a 150-channel service on a conventional cable network in the New York borough of Queens – and again, apart from the normal selection of cable channels and several ethnic minority services such as Korean and Japanese channels, a large block of channels is set aside for the staggered showing of a small number of hit movies in the hope of generating new revenue.

The company is also building an experimental cable system in Orlando, Florida, to look into the market for advanced intersctive services of all kinds. Viacom is setting up its advanced cable system at Castro Valley, California, as virtually a cable laboratory to test a range of possible ways of delivering and charging for new services.

"There may not be s single answer. There may be two or three ways to play.", Mr Frank Biondi, chief executive of Viacom, says.

TCI, the Denver-based cable operator run by Mr John Malone, which is the largest in the world, is even pushing ahead with a 500-channel cable service using compression.

A lot of the sctivity flows from the hope in many US media companies that pay-per-view could begin to generate enormous revenues. So far, the hopes have far outstripped the performance.

Mr Biondi recalls that, wheo satellite film channels such as Home Box Office were launched in the early 1970s, the talk was of pay-per-view but instead it went down the monthly subscription route because the hilling was more convenient, although technical developments have now eased that particular problem.

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According to Mr Biondi, "there has heen no serious take-up for pay-per-view for 20 years. We are way hehind revenue projections on motion picture pay-per view." He believes there is still a great deal of posturing in the marketplace.

"If there is a tremendous jump in revenues people will do it much more quickly," he adds.

When 50 to 60 channels were first introduced at Queens, it is helleved that the monthly revenuc for home pay-per-view on five channels rose from $4 to $8 or $9 per home.

"Good hut not great," one industry ohserver commented. By cootrast, film subscription channels in the US have an annual take of between $4bn and $5hn, a figure that totally dwarfs pay-per-view, which so far is little more than $200m a year.

At this year's FT cable and satellite conference Mr Edward Bleier, a Time Warner pay-per-view specialist, suggested that although conventional systems produced only $5 a month from each pay-per-view subscriher, $10-$15 might be possible with movies "nearly on demand".

He warned, however, that all the evidence suggested that there was a limited range of things that the public were willing to pay for – mainly hit movies and genuine evsnts such as a world boxing title match. Run-of-the-mill concerts do not register at the pay-per-view box office.

The outlook could, however, improve further, he added, when "we finally schieve electronic Nirvana".

What Mr Bleier had in mind was massive libraries of films stored electronically which can be directly switched to individual viewers' homes.

Nirvana has hardly arrived yet but s number of organisations, apart from cable and satellite companies, are working hard on developing ways of competing directly with the video shop by enabling consumers to order the film of their choice electronically.

Later this month British Telecom will decide whether to go ahead with a video-on-demand service down existing conventional telephone lines. The plan would cost several billion pounds. A number of American telephone companies have been carrying out similar work.

BT technologists insist that pictures of a "merchantable" quality – as good as video recorder reception can be delivered over a high proportion of the BT telephone network which goes into 23m homes. There is enough capacity for the pictures to be transmitted down a telephone line while s conventional telephone conversation is taking place.

BT concedes that picture quality may fade the further away a consumer is from the local telephone exchange. Cable television critics say it is all very well demonstrating good quality pictures in the laboratory with hrand new copper wire connections, but qulte another matter to deliver such pictures down ancient copper wires installed decades sgo.

Mr John Sheridan, chisf executive of Encom Cable, which operates cable franchises in London from Newham and Tower Hamlets to Redbridge and Waltham Forest, says that BT will be in a weak competitive position with its pictures down telephone wires.

"It's something that has been invented after it is too late," he says. "It's going to he very limited in terms of bandwidth (capacity). The technology will expand it but if it is competing with fibre which is much deeper in the neighbourhood (through cable)," Mr Sheridan adds.

Last month appeared to clear a major regulatory hurdle which might have blocked the introduction of such a service. The Independent Tslevision Commission after discussions with Oftel, the telecommunications watchdog and the Department of Trade and Industry said it did not think that pure video-on-demand, where a programme was requested by and shown in an individual household, needed a local delivery licence under existing broadcasting legislation.

If BT had needed a local operator's licence from the ITC, it would almost certainly not have got one in cable franchise areas. The Commission has always taken the view that it will not license competitors to cable, at least while networks are still being built. The ITC's view of the matter, which is subject to seeing detailed proposals might yet he tested in the courts.

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Mr Richard Woollam, managing director of the Cable Television Association, the industry trade organisation, is phlegmatic in commenting about the challenge from such a service.

"What we are seeing from the US is that while video-on-demand may be the cherry on the cake as s stand-alone product, it isn't proving to he a commercial success."

The CTA managing director adds that BT has not fully sorted out its voice business yet. "To try to stick in some form of digitalised compressed video service is very much Hans Christian Andersen stuff," he adds.

In spite of his doubts about the financial viability of such s service, it is likely that the CTA, on behalf of the cable industry, will sue BT if it tries to go ahead. Under the Duopoly Review BT is forbidden from competing directly with cable television in programme services until st least the year 2000.

Any legal dispute is likely to revolve around what sort of service under existing legislation video-on-demand is deemed to be.

Certainly, many of the big players in the UK media industry have been to see BT's telephone pictures, including companles such as Pearson and ITV groups such as London Weekend Television.

Apart from trying to expand into a new business, and perhaps applying indirect pressure for the loosening of restrictions on its activities, BT is probably not averse to trying to shake some of the growing confidence in cable television.

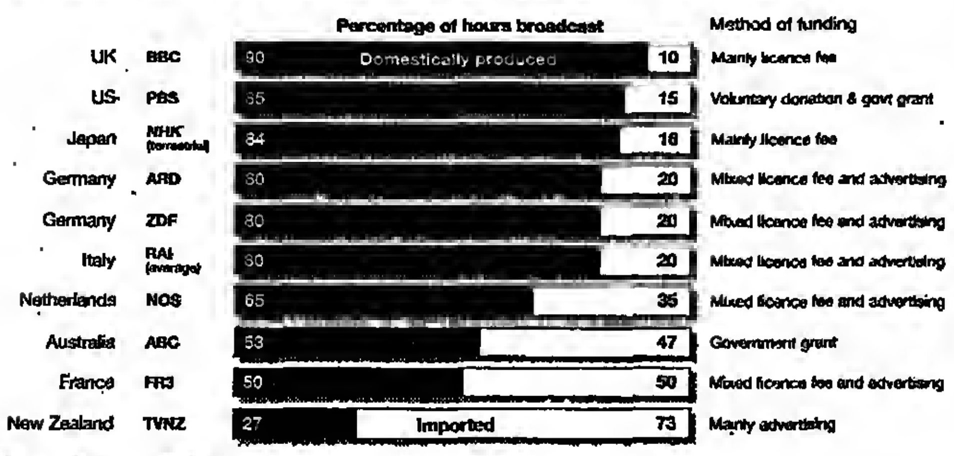
The cable industry has been causing BT a small but growing headache by offering competing telephone services at a discount and video services could help stunt cable growth although the main threat would be to video shops.

The BT decision to enter the satellite dish market, and put considerable marketing weight behind the initiative, is once again designed to try to atop cahle in its tracks. The more satellite dishes there are out there, the fewer customers there will be for cable, the hope goes, and with it fewer customers for cable telephone services.

But as BT tries to make up its mind at board level whether to commit itself to a national video-on-demand system, another approach to the market shows signs of coming to fruition.

MTV in the Negev, near Masada in Israel

Screening of programmes by public service broadcasters



Sources: TBI Yearbook 1993, RAI interview

Competition in the air

THE RISE of new broadcasters through cable and satellite – sometimes, as in Germany, also broadcasting on conventional land-based transmitters – is beginning to make life more difficult for public service broadcasters.

Next month public service broadcasters from all over Europe will meet under the auspices of the European Broadcasting Union to assess the competitive threat and try to adopt a co-ordinated response.

Earlier this year, for example, Mr John Birt, director-general of the BBC, conceded that by the turn of the century the new media could account for about one-third of the revennes in British broadcasting and a similar proportion nf the andience.

A recent study hy McKinsey, the consultants fnund private broadcasters taking an increasing share of the audience in a number of countries.

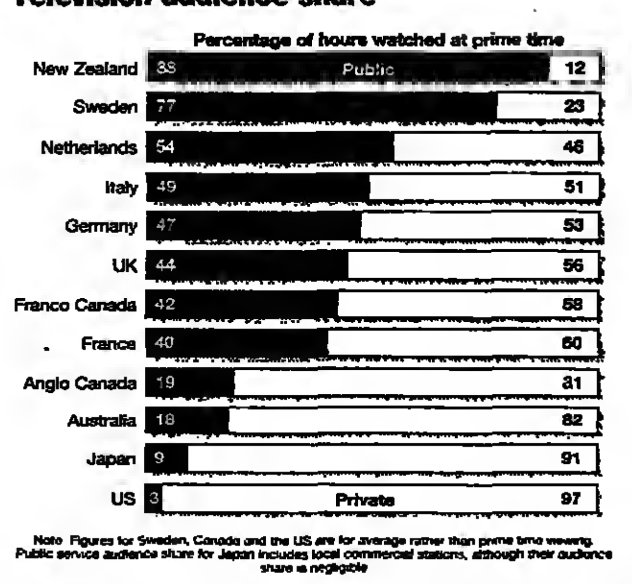
In Germany, for instance in 1987 the total public service had an audience share of 83.1 per cent of viewing. By 1992 it had dropped to 46.5 per cent.

McKinsey concluded that the licence fee was potentially the most attractive funding source to meet public service nbligations in a difficult competitive world.

"Experience from France, Germany and other comparable countries does suggest that advertising dependence can drive a decline in programme mix that undermines public service broadcasting goals," the consultants argue.

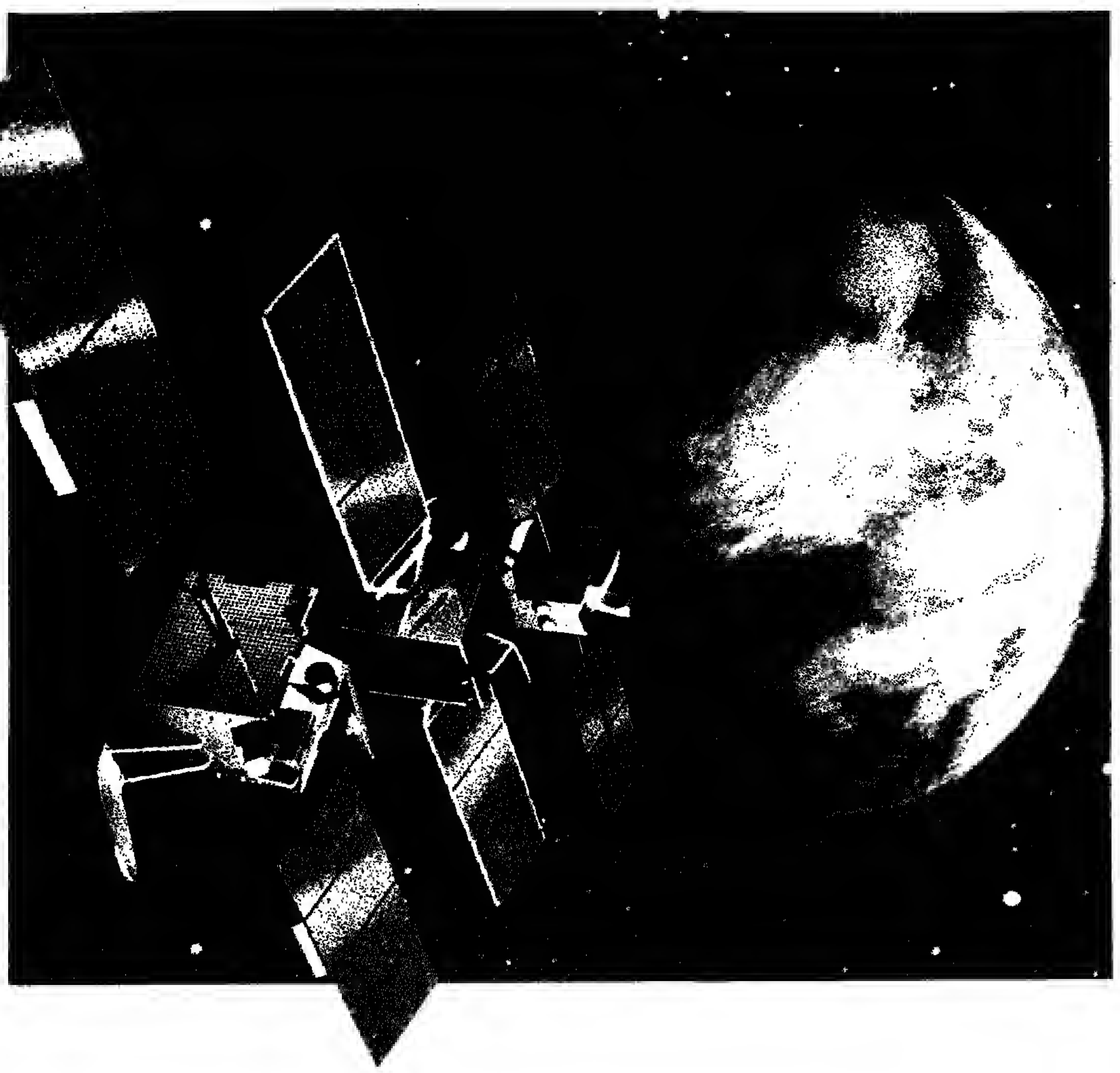
John Birt, director-general of the BBC Trevor Humphries

Television audience share



Note: Figures for Sweden, Canada and the US are for average rather than prime time viewing. Public service audience share for Japan includes local commercial stations, although their audience share is negligible

Sources: TBI Yearbook 1993, Cable TV Advertising



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THE FAMILY CHANNEL
UK GOLD
QVC
UK LIVING
MTV EUROPE

SKY MOVIES
THE MOVIE CHANNEL
SKY SPORTS
SKY MOVIES GOLD

EUROSPORT
CNN INTERNATIONAL
TNT/CARTOON NETWORK

JSTV
TV ASIA
THE ADULT CHANNEL

RTL 2
RTL TELEVISION
VOX
SAT 1
3 SAT

PRO 7
ARD-DAS ERSTE
DSF
N3
n-tv
ZDF
WEST 3
MDR
BAYERN 3
S3 (SWF/SDR)
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TV3 SWEDEN
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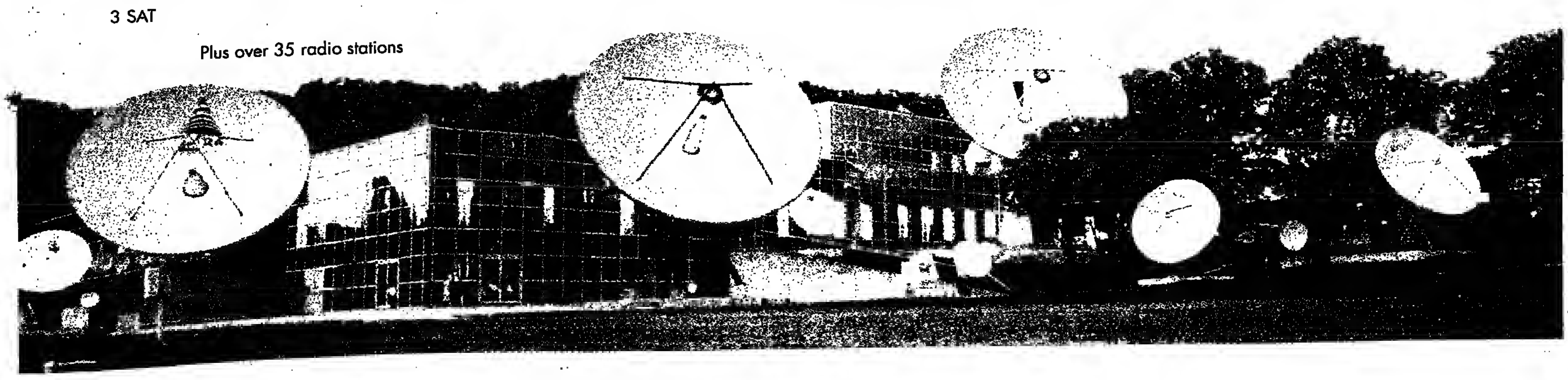

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The film that can erase itself

For years Mr William Graven has been working away at his concept of an electronic video store through his company EMC³ – Entertainment Made Convenient 3. The idea is that the viewer orders a feature film from a library by using a free telephone number and the film is squirted down to the consumer in a five-minute digitally compressed burst to a specially adapted video recorder. The recording can be watched twice but erases itself on its second play.

Mr Graven says he already has reached agreement with a number of Japanese consumer electronics companies to manufacture the new video recorder and believes his dream of creating an international electronic video store which never runs out of even the most popular films is now not far off.

New video recorders with the EMC function are expected to become available by November 1994 and would cost around $500 although the cost could drop to $350 in mass production. Research carried out in Japan showed that consumers understood the concept of video-on-demand and said they preferred it to the existing subscription channels.

While video-on-demand is likely to be one of the big themes of the next few years, and a possible financial driving force for the introduction of digital compression technology into the home, another will be the way US media companies are determined to drive their films and programmes around the world using all available and emerging technologies. Soon hardly anywhere on earth will be entirely safe from at least the potential of tuning in to cheerful American voices revealing the latest news or introducing the oldest films.

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Mr Ted Turner's Cable News Network and CNN International proudly boasts that it is already on 12 satellites around the world, soon to be 13, and that only some parts of Greenland and Antarctica are still deprived of 24-hours-a-day television news.

Mr Turner may have been the first to take his channel international, followed by Viacom's MTV, but more US channels are now trying to break out of the large but increasingly saturated American market and a number of significant US media companies are buying into regional satellite channels or investing in the setting up of new channels.

There are also growing moves to create integrated media businesses that create film and television programmes in Hollywood and distribute them through everything from video to satellite and cable around the world. Increasingly, the name of the game is the creation and exploitation of intellectual property rights, and the more universal the appeal the better.

One of the most recent examples of the drive towards integration was Mr Turner's purchase in August of two independent Hollywood production companies, New Line and Castle Rock, in a deal worth $672m.

"I had to (buy into Hollywood). No question. I have more than 3,000 old movies (from the MGM library) and no new movies except television movies. If you are going to be a big player you have got to have the product," says Mr Turner who began transmitting two of his channels, TNT, based on old films and some sport and the Cartoon Network to Europe in the form of a single 24-hours a day channel. The integrated channel schedules cartoons during the day and films at night.

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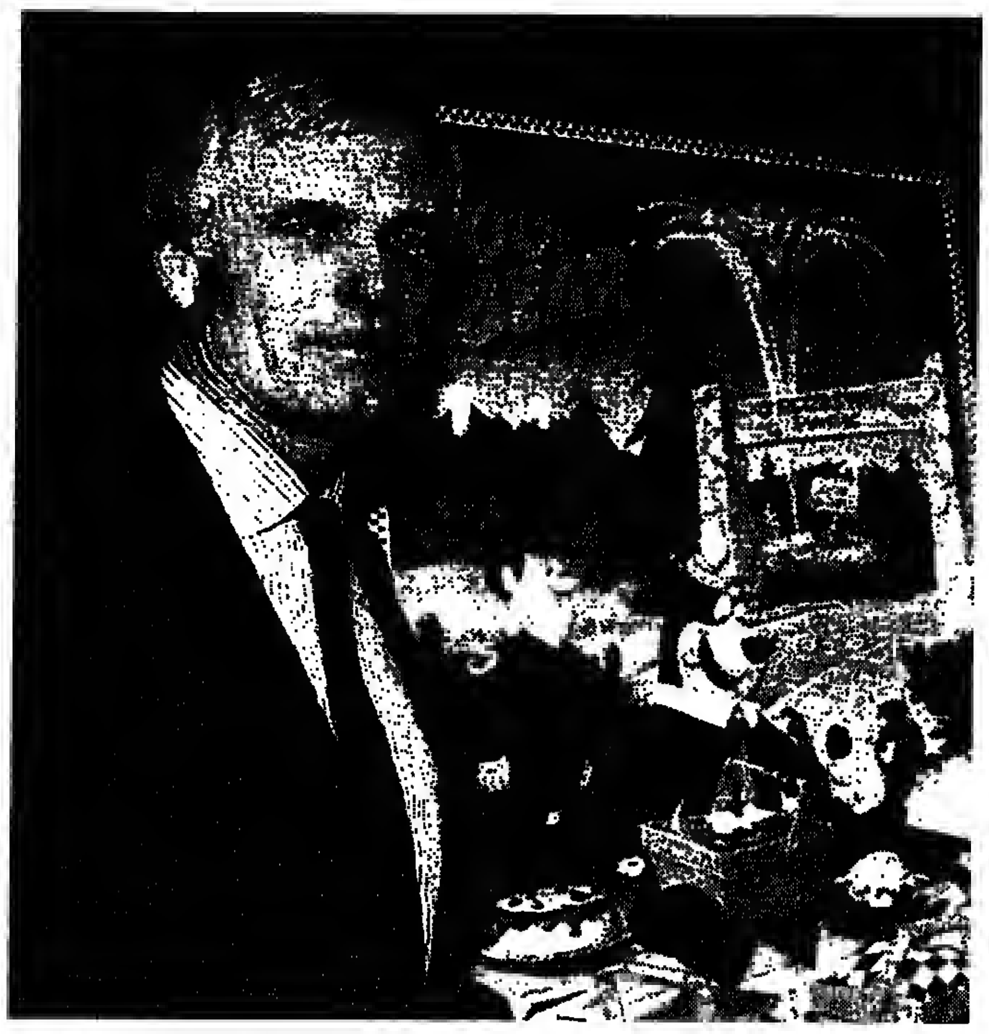
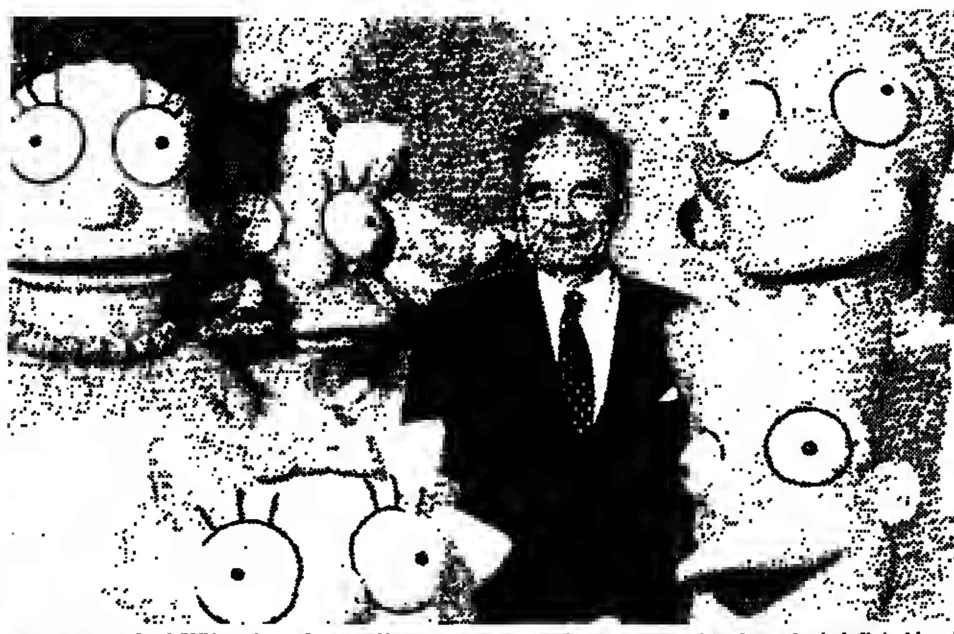
Mr Turner did not quite get the welcome he might have expected in Europe. Although the UK gave the channel a licence, which ought to have given it clearance throughout Europe under existing conventions and directives, both the French and Belgian governments blocked its entry into their cable networks because it did not have enough European content. As Belgium is virtually completely cabled, it was a serious blow to the channel.

According to the EC Television Without Frontiers directive, which came into force two years ago, satellite channels should have majority EC content where practicable. And although it is difficult to see how a film channel could be run without a considerable proportion of Hollywood movies, even an old movie channel, attitudes on the issue of American "cultural imperialism" appear to be hardening.

The UK, which has traditionally taken a rather *laissez-faire* approach to the issue of European content, although much less so to issues of eroticism or pornography beamed in by satellite, is starting to take a firmer line on content.





Ted Turner (left), of CNN – whose Cartoon Network forms part of a 24-hours-a-day channel – is irritated by all the publicity that Rupert Murdoch (above) – pictured with some of The Simpsons from the Sky TV series – has had for his international news plans Reuter/Tony Andrews

Mr Peter Brooke, secretary of state for National Heritage, told the Royal Television Society's Cambridge convention last month that maybe it was time for Sky One, the general entertainment channel that has just recently been scrambled and included in the Sky Multi-Channel subscription package, to start thinking about including more UK-made programmes. The channel relies heavily on programmes bought in Los Angeles.

Mr Sumner Redstone, the Viacom chairman, has not yet seemed to run into cultural resistance to his channels. He also plans to take Viacom channels – Nickelodeon, the children's channel and Nick-at-Nite and VH-1 around the world.

He has a vision of an international children's channel, created with local partners that would give "a chance of an international lobby for the kind of world we want to live in".

Nickelodeon has already arrived in the UK, with Nick-at-Nite and VH-1 following early next year.

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Mr Rupert Murdoch has also recently been spelling out his international ambitions, linked with the $525m purchase of Star TV and with it potential entrance to the Asian television market. "It's a global dream that you never quite dared have, and suddenly it's there," he says.

The global dream is not universally shared in the region. The Malaysian government has already expressed reservations about Mr Murdoch's intentions. Partly maybe to answer such criticisms, Mr Murdoch is planning to create separate Star services for India and China, and possibly a third Star at a later stage for the 200m people of Indonesia to reflect, at least partly, the enormous cultural and linguistic differences that are involved.

The News Corporation chairman makes no bones about wanting to take his UK channels, such as Sky Sport, around the world. "We will also take Sky News around the world. There will be a parallel international service and Sky News as we know it today will be for Britain and Europe," Mr Murdoch says, adding that he plans to work with local partners for the international service in different parts of the world. "Maybe Kerry Packer in Australia," he muses.

An increasingly tense battle is now likely between international television news organisations. The well-entrenched CNN, already facing growing opposition from BBC World Service Television, is likely also to come up against competition from Mr Murdoch's Sky News.

However, Mr Ted Turner of CNN is irritated at all the publicity that Mr Murdoch has had for his international news plans, which tend to put in the shade the fact that CNN is already there and has already done what Mr Murdoch is only hoping to do. Mr Murdoch in turn has long had the ambition to bring to the occupants of hotel rooms around the world news that is less obviously American than CNN – or at least less American than CNN used to be before CNN International was developed.

Independent Television News of the UK is not yet a contender in the international television news battle but would like to become a player.

Reuters, the international news and financial information group, now an ITN shareholder alongside Mr Michael Green's Carlton Communications, is making no secret of its television ambitions. Given Reuters' expertise in business and financial reporting some sort of television business channel might make sense.

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The latest American arrival on the European media scene is NBC, the US network which runs cable channels in the US including a business news channel, and which has been looking at the pan-European market for some time.

An increasingly tense battle is now likely between international TV news organisations. The well-entrenched CNN already faces growing opposition from BBC World Service Television

NBC has bought a 75 per cent stake in SuperChannel the general entertainment satellite channel which has access to around 60m cable television homes in western and eastern Europe. The deal is believed to be worth around £40m. Set up originally by a consortium of ITV companies, apart from Thames Television which declined to take part, the channel made significant losses until it was sold to the Marcucci family of Italy with Mr Richard Branson's Virgin group retaining a minority stake for only £9 and the assumption of around £2.5m in debt. So far nearly £25m has been invested in the channel which has specialised in niche programming because it could not afford the big new movies or top exclusive sports events.

As the Marcucci family move on to specialise in international television production, the resources of NBC, both in programming and finance, could make all the difference to the outlook for SuperChannel.

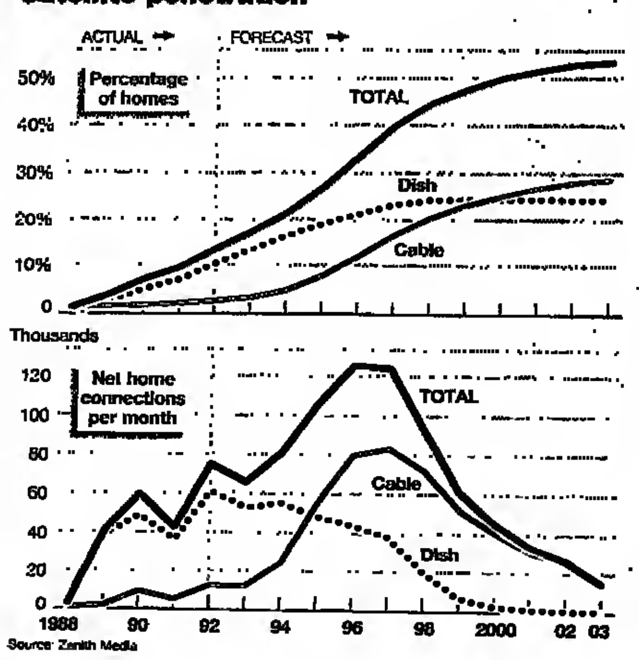
Time Warner has also been trying to maximise revenues from its programme library by taking its Home Box Office around the world. There have been pay-television joint ventures in Venezuela, Hungary, New Zealand and Scandinavia and through HBO Ole, the first Spanish-speaking movie and entertainment service available to all of Spanish-speaking Latin America and the Caribbean.

Other US investors in the UK include Cox, the Atlanta-based media company, which has taken stakes in two new satellite channels, UK Gold, based on the libraries of the BBC and Thames Television and UK Living, a channel devoted to women's interests. International Family Entertainment, a company linked with American television evangelist Pat Robertson, has bought TVS, the ITV company that lost its south of England franchise and brought The Family Channel, its successful American cable channel, to the UK.

The strongest European opposition to growing American dominance of the international television news airwaves is coming from BBC World Service Television, which was finally launched two years ago after long delays. The British government, which funds BBC World Service Radio, refused to contribute any money to set up the service and forbade the BBC from using licence fee money to fund it. In the end, a modest sum was found from the sale of subscriptions in Europe for an existing BBC general entertainment channel to get World Service Television under way.

Because of shortage of funds,

Satellite penetration



Source: Zenith Media

Mr Chris Irwin, its chief executive, has had to proceed via a series of self-financing joint ventures. The service is now available in Africa and on cable networks in Canada. Next spring it will launch in Japan in a 10-year deal worth £150m, and there are hopes of getting into the US market.

But perhaps the greatest impact that BBC World Service Television has had so far is in Asia, where it is delivered from London to 38 countries as one of five channels, including MTV, on the Star satellite system. In India alone, World Service Television has more than 13m regular viewers, according to independent research earlier this year. Indians are able to watch the BBC 6 O'Clock News live in the evening and Newsnight, the BBC evening current affairs programme, is shown the next morning.

The BBC has recently signed a deal with Intelsat to use digital compression to help add the US and Latin American to its existing markets.

Mr Tom Johnson, president of CNN, recognises that BBC World Service Television is very professional and represents growing competition. However, he cites its lack of finance as one obvious weakness. In 1992 CNN in all its forms had total revenues of $535.6m and made operating profits of $150m.

The Murdoch purchase of control of Star has caused uncertainty over the future of BBC World Service Television in Asia but Mr Murdoch has stated unambiguously that he will honour the BBC's 10-year contract with Star. It probably makes good business sense for him to do so because the BBC name is well regarded, particularly in India, and the service is believed to bring in a significant proportion of the advertising revenues of the Star system.

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In all this brave new world, the UK is playing a key role, not because of the size of the market but because of the number of things going on there. To a considerable extent North American media and telephone companies view the UK as a laboratory whose results merit careful study.

It is the only place in the world where telecommunications deregulation has gone so far as to allow cable companies to offer a full range of telephone services in competition to the PTT. As a result, most of the regional Bell operating companies from the US have piled into the UK cable market, partly because they see a good business opportunity but also to learn about cable in the hope that a similar pattern of deregulation is not far-off in the US.

At the moment, US telephone companies cannot run cable television franchises in their own telephone operating areas although they can buy systems elsewhere in the US. The issue is heading for the US legal system. Bell Atlantic recently won a local ruling in Alexandria, Virginia, allowing it to start up a cable system there in competition with Jones, a large cable operator, a decision that is being appealed against.

The other interesting factor about the UK is the scale of the satellite subscription business that has been built up by BSkyB. Mr Murdoch, who owns 50 per cent, quite simply describes it as the leading satellite company in the world and points to an important lesson learned in the UK which is influencing his decision-making in other parts of the world such as Asia.

"There is no question we have shown here (in the UK) that first in gets the market," he says. Canal Plus, the French pay television company is probably still bigger, but it enjoys one enormous advantage – control over conventional television frequencies so that it can broadcast over normal land-based transmitters.

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On the face of it, cable television's performance in the UK would give snails and tortoises a good reputation. After 10 years of effort, according to the latest official figures to the beginning of July, only 658,884 homes were connected to any form of cable and that involves a broad definition including blocks of flats connected to an antenna and old-fashioned television relay systems upgraded to carry at least a basic selection of the new satellite channels. The total for the modern broadband or multi-channel systems was 473,415 although the symbolic 500,000 figures was expected to be passed sometima this month.

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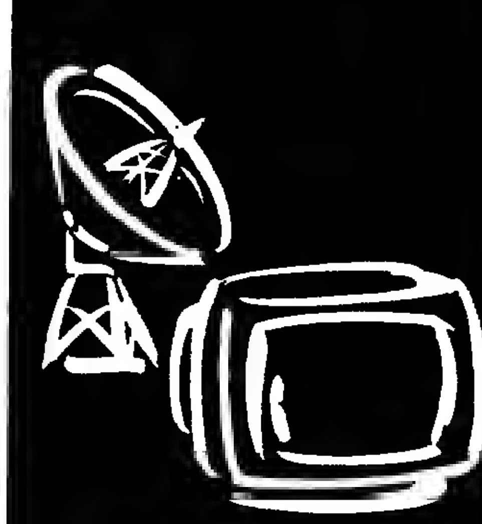

Having to pay is easy to sell

Continued from previous page

When it comes to broadband homes offering the full range of cable programme services, the total number takes on an even more pessimistic hue compared with the number of homes in the UK which could subscribe if they wanted to. That total by July 1 stood at 2,337,257, which meant that precisely 1,853,842 households whose homes are passed by a cable network have decided not to subscribe so far. This gives a disappointing penetration rate – the ratio of those subscribing to those who could subscribe – of 20.3 per cent.

Indeed, the official quarterly bulletin from the Independent Television Commission carries the headline: "Cable Growth Slows In 1993". The report begins: "The increase in the number of broadband cable subscribers slowed down in the first half of 1993, apparently as recessionary factors generated higher rates of disconnection." This meant that although there was a net increase in subscribers in the first six months of 1993 of 33,000 because of faster rates of building cable networks, the average take-up rate dropped to levels last seen in early 1992.

And all this has been happening at a time when Sky Television has been dominating the headlines with its 18-channel package and more on the way. At £19.99 a month, including three movie channels and a sports channel, it appears superficially, at least, to be so much better value than cable.

Quite apart from the aesthetics of having a dish on the wall, whether flat, see-through or not, this illusion is at least partly created because satellite viewers have to buy or rent the receiving equipment. With cable, it is all included. Although the difference may be more apparent than real, it does not make cable's marketing task any easier.

Against such a background, why are a growing number of big banks getting excited about backing cable while their lack of interest in earlier years blocked the development of cable? Why does Mr Richard Woollam of the CTA find his lunch diary clogged with engagements to expound on the newly discovered virtues of cable?

The change can partly be explained in two words – cable telephony. Cable television as a business selling just more television channels always seemed like a long haul in the UK, where unlike the early days of the industry in the US good quality television signals carrying good quality programmes from the BBC, ITV and Channel 4 are almost universally available. But add telephone services and the economics are transformed.

"We are not a cable TV business. We are an entertainment and information and communications business," says Mr Michael Turner, chairman of the CTA and chief executive of Southwestern Bell International, whose franchises cover a total of 1.14m homes in the midlands and north-west of England. The number of cable telephone subscribers is still *small – around 200,000* – but the rate of increase and the effect on the revenues of cable operators are quite dramatic.

Three years ago Mercury Communications supplied 200 telephone lines a month to the cable industry and revenues were in hundreds of thousands of pounds. The rate is now running at more than 20,000 lines a month and between £60m and £70m is expected to be generated at the retail level this year.

By the end of September just under 250,000 telephone lines had been handed over to cable franchises, though not all of these are yet in use.

There are now 32 cable franchises in the UK offering telephone services, compared with 17 a year ago and many operators are installing their own switches. In August Mercury announced marketing and operations agreements with the largest cable operators, including Encom, General Cable, Nynex, CableComms, Southwestern Bell, TeleWest Communications and Videotron.

Nynex, with franchises in the Brighton, Poole and Worthing areas, is providing telephone links for public services in the region.

"We have tied together Hampshire police stations and we are working on ambulance stations and other things," says Mr Peter Lynch, marketing director of Nynex, the telephone company for New York and New England.

Mr Alan Bates, managing director of Jones Cable, with interests in more than 1m homes under franchise including Aylesbury and Leeds, is very clear about the benefits of telephone services. "We thought this year that 40 per cent of our revenues would come from telephony and 60 per cent from cable. We have just passed through where it's 50-50 and we are fast heading for 60-40 the other way around. To double your revenue on a margin additional cost (to install telephony) is phenomenal," he says.

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The joint cable television/telephony package is much easier to sell than cable TV alone, Mr Bates emphasises. The English middle classes, he believes, habitually lie about what they watch on television and find it difficult to buy anything so vulgar as cable. But discounts of up to 20 per cent are something they understand, even though there is the inconvenience for domestic subscribers of changing their number. "Then they say we'll take cable for the children," laughs Mr Bates.

The spread of telephone services on cable network will *increasingly pose competition* for BT, which the national operator will find it difficult to meet.

The cable operators are local and geographically dispersed and each individual network can offer different packages of discounts, including free local calls in some areas.

A BT price cut to tackle small cable discounters in a few hundred *thousand* homes would have to be offered nationally, costing the company millions of pounds.

The emerging importance of telecommunications has led to a measure of consolidation in the industry as the well-funded American phone companies, which like to boast that they understand all about "burying loads of money in a hole in the ground", have been buying up franchises that come on the market.

For example, in March Nynex bought three franchises in Greater Manchester, Bolton and Derby that were previously held by Pacific Telesis, which decided to concentrate its investment thrust on mobile communications and began to withdraw from the UK cable market. More recently TeleWest, the joint venture between Mr Malone's TCI and Bell West became the largest cable operator in the UK when it bought seven Scottish cable franchises owned by Post-Newsweek Cable.

Up and down the country, a rough pattern is beginning to emerge in cable sales: that of every 100 sales the cable industry makes, 70 people will take the combined television and telephone service, 20 people cable television only and 10 people telephone only. They are percentages that certainly impressed Mr Bates's bankers recently to enable him to negotiate what was seen as a landmark financing deal for cable.

NatWest Markets, the corporate finance arm of National Westminster Bank, arranged a £152.5m financing for the "construction and operation of a cable television and telecommunications franchiee" in Leeds. The money is made up of £77.5m in equity and £75m in non-recourse finance.

It is the first "fully-funded" cable deal concluded before construction actually begins, although of course performance thresholds are built in. Five UK investors are involved *including Cable & Wireless*, the parent of Mercury Communications, although most of the money came from US investors such as Capital Cities/ABC and Paine Webber and the debt was underwritten by the Bank of Nova Scotia and other banks.

Even bigger cable finance deals are in the pipeline. It is believed that Citibank is in the process of raising £250m for the UK cable *franchises* of Nynex. If the deal goes through, it could further improve the investment climate for cable, though the bankers will be watching carefully to see that their positive analysis on the prospects for cable works out in reality.

Mr Michael Turner is not downhearted at the slowdown in cable subscribers. "It's been a mixed year for cable, but if you look at the fundamentals of the business there has been record investment, record build. Yes, the penetration rate is coming down a bit. We're disappointed but not really concerned. We are convinced it will come back, that the market is going to buy the product," the CTA chairman says.

Frank Macintyre of Hertford Aerials, with one of the latest see-through satellite dishes Jeff Jones

This year a total of £750m will be invested in the construction of cable networks in the UK, more than in any previous three- or four-year period. But what if the British people simply do not want multi-channel television or at least the programmes now being offered? Many of the big cable operators have carried out their own consumer research just to make sure that there is not an invisible, insuperable barrier. "I don't think there is anything in the culture of the British people that says that over time they won't want multi-channel," says Mr Bates. And even if adults, were to behave in that "perverse" way, then the children will certainly understand cable and the choice it offers.

Another straw in the wind is the fact that not all cable operators are performing so very modestly. In Birmingham, for instance, the penetration rate is running at 33.5 per cent – and anything over 30 per cent, bankers say, is definitely a business because of the cash flows generated. If only the rest could lift their game to the Birmingham level, cable enthusiasts say.

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To Mr Turner the *real* challenge does not come from BSkyB but from the 75 per cent of the population who do not have multi-channel television of any kind. BSkyB itself has recently taken an enormous risk in moving towards a nearly total subscription package. The only BSkyB exception is the loss-making Sky News.

On the day Sky Television was launched in February 1989, Mr Murdoch made it clear that other services apart from movies could be encrypted, or scrambled and charged for on a monthly basis.

There is a large risk in charging for a service that has previously been "free". Last year Sky started to charge for its sports channel and this autumn Sky One disappeared from the gaze of those not prepared to pay. Mr Murdoch himself feared there could have been uproar at the decision to charge but, against all the odds, if anything the opposite has happened.

Satellite dish sales started to rise after a period of slower growth. Partly this was the result of massive publicity and partly it was a response to carefully structured special deals and discounts.

Perhaps above all else, the pill of having to pay was sugared by the arrival of new non-Murdoch channels in the package so that, at least by the beginning of next year, there will be a total of 18 channels under the Sky marketing banner at a total monthly cost to the consumer of £19.99.

Twelve scrambled channels ranging from Discovery and The Family Channel to UK Gold, which draws on the programme libraries of the BBC and Thames Television and Country Music Television, are available in the Multi-Channel package for £6.99 a month – the equivalent of the basic tier of channels in the cable television package.

Paradoxically, the simple subscription package may be easier to sell than the previous mixture, where some channels were only on subscription and others were free.

"People understand the subscription package. It's easier to sell," says Mr Paul McMullan, of East Antrim Electricals, who has sold satellite equipment since the early days of Sky Television. The logic of the move to subscription is unassailable in financial terms, as long as Sky can retain most of its existing viewers and start to build again.

As each new satellite channel becomes available the audience for the new media, as opposed to the traditional broadcasters, is further fragmented. The smaller the audience, however good the targeting or the demographics, the less significant that audience is for advertisers. Although there will inevitably be elements of cross-over, the most obvious way to maximise the choice available to the public is for it to be funded by three separate streams of revenue – a licence fee, advertising and subscription.

The new subscription revenues could transfer BSkyB's balance sheet, although the company will have to be sure that the subscribers are being given value for money and not progressively milked once they are "booked" on the extra choice.

Viewers have been persuaded to pay a monthly subscription for a sports channel that used to be free, largely as a result of the exclusive £305m deal to show live premier league games. But if Sky were to take some of the best games out of the existing package and charge an additional pay-per-view fee, that might turn out to be a step too far for many of their customers.

Sky has said it will launch a pay-per-view service next year, possibly at the same time as a second sports channel begins broadcasting although little has been said about what sort of events will be offered on the pay-per-view menu.

BSkyB has made considerable financial progress in the past two years, and at least at the operational level, is now making more than £2m a week although there is still a pre-tax loss of about £70m a year when notional interest payments on the £1.7bn invested in the project are included.

Next year, the money will start to flow back to the owners of the consortium who have so far not actually paid each other the interest on their loans to the venture. Apart from News Corporation and Pearson, the main investors are the Granada Group and Chargeurs of France.

Compared with the enormous losses of the past, the figures that Mr Richard Brooke, BSkyB chief financial officer, announced for the year to June 1993 were remarkable.

The operating profit of £61.5m represented a £108m turnaround on the previous year and turnover was up by 63 per cent to £380m – 80 per cent of it coming from subscription revenue. In addition, the satellite consortium had needed no new funding from shareholders since May 1992 and £34m of available funding had not had to be drawn down. It seemed like a turning point of some significance and, executives promised, the improving trends were continuing into the current financial year.

Mr Gary Davey, the BSkyB deputy managing director, pointed out last month that 100,000 new movie channel subscriptions had been signed up in August alone, taking the total of movie subscriptions past 3m for the first time.

Continued on next page

Menace of pirate cards

Continued from previous page

BSkyB is facing a growing problem of pirate subscription cards. News Corporation's VideoCrypt system, based on a microchip embedded in a cards rather like a telephone card which "unlocks" the scrambled pictures, was claimed to be pirate-proof. In fact, pirate cards are being openly advertised and sold in Scandinavia and Germany, and the trend is starting to spread to the UK.

One company in England is already offering pirate cards for sale at £200 in what amounts to an unofficial subscription service of its own. If BSkyB changes the codes in the chip, the company offers to provide a replacement for an additional fee of £30. Like many transactions involving intellectual property, it is apparently not illegal to offer such cards for sale although it is illegal for consumers to use them.

If the number of pirate cards in circulation were ever to become substantial, it would damage BSkyB in two significant ways. In the UK piracy would simply mean the loss of revenue or potential revenue but in continental Europe the problem could be even more significant. The satellite company buys only the UK subscription rights to Hollywood films which are sold by the studios on a country-by-country basis. The agreements with BSkyB are conditional on the films not being available all over Europe. Widespread piracy, unless tackled, could call vital film contracts into question.

Overall, BSkyB was in more than 3.5m homes by the beginning of September including 2.57m homes with satellite dishes, according to BARB.

Yet although the new channels are available in more than 15 per cent of UK homes, it has to be emphasised that their performance in terms of audiences and ratings has been modest. It is a rare satellite programme that has been able to assemble an audience of 1m and few apart from The Simpsons have achieved it.

Despite the rapid growth in tha number of channels available, the new media still account for less than a third of total viewing in homes which can receive satellite channels. This ratio looks like staying fairly constant, or only increasing slightly, as more channels are added. This suggests that satellite channels, at least at their present stage of development, will have to content themselves with sharing a finite amount of viewing time and rely instead for growth in getting their services into an increasing number of homes.

For instance, in March, before the latest burst of new channels on the Astra satellite such as Bravo, Discovery, Nickelodeon, the Family Channel, TNT/Cartoon Network and UK Living, the official BARB figures show that the non-terrestrial channels took 29.4 per cent of viewing in cable and satellite homes. For the week ending September 19 with the new channels on stream, the total satellite share from more than 15 channels had risen only to 31 per cent – virtually the same as that achieved by the BBC with its two channels in new media homes.

It is, of course, early days for the new channels in the BSkyB package but according to BARB the average weekly viewing to Bravo in cable and satellite homes was 10 minutes, one minute ahead of Nickelodeon, although the Children's Channel was more successful at 13 minutes. The Family Channel was watched for an average seven minutes and UK Living for five minutes. This compared with an average 7 hours 23 minutes for ITV and even 1 hour 38 minutes for Channel 4 in cable and satellite homes.

Zenith Media, Saatchi & Saatchi's media buying arm, believes that by the year 2003 satellite's share of viewing in satellite homes will, at 32.3 per cent, have hardly moved at all. Increased penetration for cable and satellite will enable the new media channels to account for 17 per cent of total television in all homes by 2003 compared with their 1993 figure of 5.2 per cent.

More competition could yet be on the way in the UK television market. All hopes of establishing a national Channel 5 have not yet been abandoned. Following the decision last December by the Independent Television Commission to reject the only bid from a consortium led by Thames Television, mainly on the grounds of inadequate shareholder commitment, the whole issue is being reviewed this autumn.

The ITC has called for expressions of interest by October 15 in three options:

- A national channel capable of reaching 74 per cent of the population, very similar to the one originally advertised.
- A much more local city-based television service, a concept that would need legislation to implement.
- Use of the Channel 5 frequencies as part of an overall plan to introduce digital television.

The ITC has made it clear that the UK could have as many as 100 television services if the existing four national channels were also to move to digital.

In practice, the ITC concedes, at least 10 years' notice would have to be given before ending existing broadcasts in PAL and there would have to be "simulcasting" – broadcasting the existing main channels in both PAL and digital. In most parts of the country this would still allow the introduction of new digital channels. There could be as many as 20 new channels in some areas although the number would be much fewer in the south and south-east, where the spectrum is relatively crowded.

The ITV companies, still coming to terms with the effects of competitive tenders for their new franchises, are now debating what extra services could be offered to persuade consumers to buy the necessary decoders. There are also suggestions that the new digital television services could effectively be funded by giving over part of the spectrum to the running of a digital communication system for industry and finance.

Despite the technological attractions of the endless choice being offered by digital, a number of serious players are still interested in running Channel 5 as a conventional television channel.

The big advantage is that unlike most of the ITV companies, the channel would not have to pay a percentage of its advertising revenue to the government and a small bid – Thames offered the minimum £1,000 a year – would be enough to win the franchise.

The main disadvantage is that any successful applicant will have to pay for the retuning of millions of video recorders at present tuned in to the frequencies Channal 5 would use.

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Across Europe the new media, particularly cable, have been making considerable progress.

According to the 11th annual study of the European cable industry by CIT Research, the market research group specialising in communications, at the beginning of this year 68m out of western Europe's 152m television households had either cable television or a communal system fed by a satellite dish. A total of 30m homes were connected to cable networks, up from 26m the previous year.

About 40 per of Europe's cable homes are in Germany, where the Bundespost's Telekom division has been pursuing a vigorous building policy, with 30 per cent in the Low Countries and the rest elsewhere.

CIT believes that western European viewers spent nearly Ecu4bn on cable television in 1992 including pay TV revenues – up 24 per cent on 1991.

"Given that Europe is still in the teeth of recession, the industry can congratulate itself," CIT concludes.

By June this year, 12.8m German households were connected to cable networks, most of them in the western Lander. There are also plans to spend DM55bn on improving telecommunications in the east, DM3.5bn of which will be devoted to cable.

In France cable is at last beginning to grow steadily, although cable subscribers still account only for 5.5 per cent of the country's 20.6m television households, according to CIT.

The sixth Pan-European Television Audience Research survey, published earlier this year, was based on viewing figures from cable homes in Flanders and five European countries: Denmark, Germany, Netherlands, Norway and Sweden. It showed that the viewing of commercial channels transmitted by cable or satellite continued to expand at the expense of the state-owned and public service sector.

The audience shares of channels funded wholly or in part by licence fee now ranges from 32.1 per cent in Flanders to 56.3 per cent in Denmark.

In Germany, Europe's largest cable and satellite dish market, the public broadcasters achieved a 32.6 per cent share in new media homes, although this dropped to 25.5 per cent among the 16-34 age group.

The choice available somewhere in Europe continues to grow with more than 100 services available over both cabla and satellite, not all subscription based.

Eurospsort continues to provide Europe-wide competition for the UK-based Sky Sports and Euronews, the multilingual news and information service backed by more than a dozen public service broadcasters, is increasing its reach after a difficult birth at the beginning of this year.

By the end of August the channel was reaching 11m cable and communal dish homes and, with the help of rebroadcasting on conventional transmitters, was available in a total of 43m homes.

One of the most interesting uses of satellite television is to provide special services for ethnic minorities all over Europe. There are programming segments for Japanese and Chinese minorities, while TV Asia, the Asian channel on the Astra satellite, has expanded to 18 hours a day with programmes ranging from Indian and Pakistani films to daily news coverage in five Asian languages.

MBC, the Arabic language television station based in London, recently reached an agreement to co-operate with the Arab Network of America, the main Arabic language network of the US. There will be programme exchanges and joint productions.

MBC – the Middle East Broadcasting Centre – was launched more than two years ago and broadcasts its service all over Europe, North Africa, and the Arabian Gulf.

Back at the former studios of TV-am Mr Bill Roedy, chief executive of MTV Europe, insists: "We don't take ourselves too seriously. It's only entertainment after all."

He is right, of course, about the ultimate significance of the new media and the technological driving force behind it –except that the new international channels will have growing cultural influence and new media empires will be created as public service monopolies give way, at least in part, to an era of greater choice and intensified competition.

Rehearsals are already under way for QVC's 24-hour television channel in Battersea, London Jeff Jones

Eutelsat's bird takes wing

ASTRA IS the best-known television satellite system in Europe with three 16-channel satellites already co-located in space so that their channels can be received on e single dish. A further satellite is due to be launched next year and e fifth is planned.

But Eutelsat, the Paris-based European satellite organisation owned by the PTTs of Europe is intensifying the competition. It is trying to establish an elternative "hot bird system" – the satellites that everyone wants to be on – in opposition to Astra.

Mr Giuliano Berretta, marketing director of Eutelsat, concedes there was no point in duplicating the service offered by Astra. As well as offering conventional European coverage, Eutelsat also offers a special wide beam which carries programmes to north Africa and on to the Middle East.

Already 37 television chennels are carried on four Eutelsat satellites, ranging from Deutsche Welle, the international German broadcaster to the Egyptian satellite channel.

The organisation aims to concentrate as many channels as possible at 13 degrees east and plans to launch its 16 channel Hot Bird satellite next year. This month, the Eutelsat board will decide on a third television satellite for the 13 degrees east position with up to 20 channels. The satellite – Hot Bird Plus – will be able to deliver digital satellite television direct to the home on dishes of 40cm diameter.

Eutelsat is already delivering channels to more than 30 homes attached to cable networks end direct to en estimated 3m homes.

By the end of last year 89 satellite telavision channels were avellable in Europe on four satellite systems and the number is likely to continue growing, particularly with the introduction of digital compression.

COMMODITIES AND AGRICULTURE

King defends LME copper squeeze move

MR DAVID King chief executive of the London Metal Exchange has rejected sharp criticism of the exchange's action last month in imposing a limit on the cash premium for copper, which was being inflated by a technical squeeze on metal available for immediate delivery, reports Reuter.

He declined to elaborate on a statement he made at the time that the LME board had taken the action "in anticipation of the development of an undesirable situation", but he strongly defended the exchange against any suggestion of irregularity in the way the decision was taken.

Mr John Champagne, president of Magma Metals Company, has said he was extremely disappointed by the LME move. At a lunch of mining analysts last month, he also suggested that the exchange had too many short position holders on the board and criticised it for delaying announcement of its decision for one and a half hours.

"In view of the comments made in the press," said Mr King yesterday, "it's appropriate that people know that behind the scenes there are all sorts of checks and balances."

"Standard practice is that whenever significant decisions are made in the board, our compliance people automatically track trading activities of directors' firms . . . We need to be able to confirm that no advantage has been taken of that information."

He said he had been unable to read the decision across the floor of the market immediately because it was not in session.

"We announced the decision at the first available time in the afternoon when the market was operating," he declared.

"In wanting to ensure a level playing field we need really to announce it on the market floor," he explained. "Then all the ring fraternity instantly knows at the same second what the board's decision is."

Mr King said it was totally wrong to say, as some had, that the copper price fell precipitously prior to the announcement. Even at the end of the day the market had not dropped much.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+6,350	to 2,208,075
Copper	-1,025	to 600,700
Lead	-250	to 287,275
Nickel	+48	to 117,978
Zinc	+1,475	to 890,250
Tin	-150	to 20,805

• The slide in copper prices has been resumed at the exchange this week, with the three months position closing yesterday at $1,686 a tonne, down $12.75 since Friday's modest rally and about $200 below the level ruling when the squeeze suddenly evaporated at the end of last month.

With the cash position falling even more steeply the $56 cash premium over three months matal has been replaced by a $23 discount, which is regarded as a normal level for the cash/three months spread when supplies of the metal are freely available. The cash discount, or "contango", represents the costs of holding physical metal, chiefly storage, insurance and lost interest on the capital employed.

• Business on the exchange hit a record in September, driven mostly by volatility in copper, which plunged to six-year lows after the LME limited the cash premium.

Copper futures traded 2.24m lots (25 tonnes each), up from just 771,105 in the same month last year, and copper options were traded on 220,380 lots, up from 44,399.

Altogether in futures and options, LME volume hit 4.2m lots in September, up from 2.42m in the same month last year, while the total for the first nine months soared to 35.28m lots from 17.76m.

Bigger sugar shortfall forecast

By Alison Maitland

THE SHORTFALL in world sugar supply is expected to more than double next season, leading to sustained price rises, according to a report published today by E.D.& F. Man, the London trading house.

Man estimates that there will be a production deficit of 724,000 tonnes for October 1993 to September 1994 compared with 338,000 tonnes the previous year.

"The resulting draw down in stocks in a number of countries particularly in India and China leaves those markets without a buffer for further substantial de-stocking," it says.

A cloud of uncertainty hangs over the coming season, and many crops which suffered last year are not expected to recover fully, says Man.

"The resulting supply deficit is expected to have a more lasting influence on prices . . . in the 1993-94 season the possibility of further de-stocking has diminished and the prospects for white sugar supplies have declined."

Man predicts that world production, based on individual countries' crop years, will rise by nearly 1m tonnes to 112.4m tonnes compared with 1992-93, still well below the levels of the previous two years.

It puts consumption, which is calculated differently, using the October to September period, at 113.7m tonnes, an increase of 1.8m tonnes or 1.6 per cent on 1992-93.

Man has revised its production and consumption estimates for last season, bringing it into line with other forecasts. It has reversed its May forecast of a supply surplus of 562,000 tonnes into a deficit of 455,000 tonnes.

It accounts for the change by saying there has been a big fall in estimated sugar cane production and concomitant strong demand for white sugar from the former Soviet Union. Its estimate for Russian consumption last season now stands at 6.5m tonnes compared with 5.4m tonnes in May.

Opec's September oil output above new ceiling

By Robert Corzine

ESTIMATES OF September production by the Organisation of Petroleum Exporting Countries show that it will have to cut output to reach its new ceiling of 24.52m barrels a day agreed last week in Geneva.

Opec wellhead crude oil output edged back up in September to 24.68m b/d after an August dip, but it seems to have remained below this year's peak, according to a Reuter survey released yesterday.

The September estimate compares with a revised 24.49m b/d in August and the 1993 high in July of 24.79m b/d. The agency attributed the August drop mainly to a temporary reduction by Iran, which it said appeared to have restored volume in September.

The Middle East Economic Survey estimated this week that Opec's September production was likely to be around 24.7m-24.8m b/d.

But neither the Opec production estimates nor political events in Russia have had any substantial impression on the oil markets. "They have decided in their collective wisdom that there is no danger to the supply of Russian oil," according to Mr Peter Gignoux, head of the energy desk at Smith Barney in London. "And as for Opec, they are just waiting for the dust to settle."

The price of Brent blend for November was $17.10 in late London trading yesterday, compared with a closing price on Monday of $17.12.

• Nigeria has implemented a contingency plan to enable lifting of crude oil at loading terminals during a strike by inspectors, oil industry sources said yesterday, Reuter reports from Lagos. "They are still on strike," said an official of a major oil company. But "as far as I know loading is going on normally now".

The inspectors at loading terminals began an indefinite strike on Monday to press their demand for autonomy from the petroleum ministry.

Lithuania seeks western help with exploration

By Matthew Kaminski in Vilnius

LITHUANIA IS aggressively seeking western investment to help tap the country's oil reserves and restructure the refining industry.

The Baltic state holds a small cache of high-grade crude in its north-west corner. At present 16 fields are being explored, containing 25m tonnes of crude, of which 9m tonnes is recoverable.

Total on-shore potential has been pegged at 137m tonnes, of which 40m tonnes is recoverable – not insignificant for a country barely bigger than Belgium, but a far cry from Russia's 153,000 wells and 327m-tonne annual output.

Sea Search, a Dutch oil concern, and RWE-DEA, a subsidiary of the German group, are finalists in the competition for rights to a field near Klaipeda, the western Baltic port city, according to Lithuanian energy ministry officials. A contract should be awarded by the end of this month.

The two companies had expressed interest along with Svenska Petroleum, Neste and Knight, a US company – which, the officials said, also made preliminary offers before pulling out. This contract will follow an April agreement between Svenska Petroleum and Lithuania's Gargzdai Enterprises to form a joint-venture to develop the north-western fields.

Exploration of the Baltic off-shore fields awaits the resolution of political questions. With newly independent states still settling sea borders, Russia and Lithuania are bickering over rights to a field that lies in Lithuanian and the Kaliningrad region's waters.

Mr Robertas Timosiunas, a Lithuanian deputy minister of energy, expects that the disputed area designated as D-6, a tiny plot with some 7m tonnes of oil, will be divided between the two countries. Negotiations are continuing.

The undisputed off-shore field holds an estimated 150m tonnes of crude, about a quarter of it recoverable, and needs outside investment as the Lithuanians cannot afford exploration efforts.

The state's refining business similarly lacks western money and know-how to stem the decline in supply and output since the collapse of the Soviet Union.

After a two and a half year dispute with environmentalists, Lithuania plans to restructure the Mazeikiai refinery. A modern structure dependent on imports from former Soviet republics, Mazeikiai operates below its 12m tonnes-a-year capacity.

An Ecu450,000 ($525,000) grant from the European Bank for Reconstruction and Development will help restructuring efforts, plans for which are being drawn up by the UK consultancies N.M. Rothschild and Trichem.

The eventual programme, which Lithuanian officials expect to cost least $80m, will include a new hydrocarbons port on the Baltic near the Butinge area, a pipeline connecting it with Mazeikiai and renovations at the refinery itself.

The Baltic state, weary after two years of intermittent Russian supplies and infrequent payments for deliveries, wants a western partner to ease the move into new market.

Above all, however, a refinery needs crude oil: "We're looking for an investor who can guarantee delivery," Mr Timosiunas said.

Analysts expect smaller Florida orange crop

THE 1993-94 Florida orange crop could be as low as 160m boxes or as high as 190m, but most analysts' estimates are concentrated in the 165m- to 175m-box range, reports Reuter from New York.

That is well below last year's figure of 186.5m 90-lb boxes issued by US Department of Agriculture, which was the state's third largest orange harvest.

Analysts said brisk activity on New York Cotton Exchange's frozen concentrated orange juice futures market was linked to recent buying ahead of USDA's report, due for release October 12. Ms Celeste Georgakis, first vice president futures specialist with Dean Witter, said uncertainty would continue until the release of the estimate.

"But most of the consensus is still pointing toward 165m to 185m," she said. "I feel the estimate could come in the mid-170m box area."

Factors that could hurt this season's production included a late cold snap last winter in Florida, which was reported to have killed some bloom, and some outbreaks of blossom blight disease, according to analysts.

Caribbeans lose interest in sowing cotton

Canute James reports on the decline of the famed sea island fibre

A COMBINATION of apathetic farmers, rows among investors and legal disputes over trademarks has denied four eastern Caribbean islands of the benefits of increasing demand for a unique and costly type of cotton that they once produced in substantial quantities.

Despite the efforts of some governments and farmers' organisations, there appears little prospect that the islands will again produce the famed sea island cotton in quantities that will satisfy the demand in the world's fashion centres, where ties, shirts and suits made from the product are commanding higher and higher prices.

"There has been a general decline in the production of sea island cotton in the Caribbean, although there is continuing high demand for the product, particularly in Japan," says Mr John Spence, an agronomist who specialises in sea island cotton production in the eastern Caribbean. "The decline is linked with the fact that in the Caribbean today, agriculture is not a happy pursuit. Any real expansion of production will take some time."

The government of Barbados, the leading producer of the four producing islands – Barbados, Antigua, St Kitts and Montserrat – has been attempting to raise the interest of farmers in the production of sea island cotton as part of wider efforts to diversify agriculture on the island, which is based mainly on the production of sugar cane. "There is now a different problem as, while prices are up, farmers are uncertain about stepping into another form of agriculture," says Mr Spence.

He explains that cotton less hardy than cane, and demands greater attention and care from farmers. Many farmers consider this higher degree of husbandry as not being worth the effort. "With cotton one needs to establish the proper infrastructure, and much of this has been missing. The plant is easily affected by pests, a closed season is needed for the crop and the entire industry needs to be regulated."

In the 1950s there were more than 5,000 hectares under sea island cotton in the four islands: this year the crop is growing on only about 200ha. The problems that trouble the potentially lucrative industry are illustrated by the failure of one plan to increase production.

Eight years ago the government of Guyana, located on the north eastern shoulder of South America, offered to provide 40,000ha for a joint venture with the four islands to produce sea island cotton. But the project was aborted when it was revealed that, legally, the term "sea island cotton" could be applied only to the product grown in specified islands in the eastern Caribbean.

"Sea island cotton is different from all others in that it has the longest and finest fibre in the world," explained Mr Spence. "It can be spun into the world's finest yarns to make the best fabrics. There have been one or two cases in which there have been attempts to equate cotton from other parts of the world with sea island cotton. Some Egyptian and some Indian cotton have some of the qualities of sea island cotton. But the only pure sea island cotton is grown in the West Indian islands."

There has been foreign interest in kick-starting production of the prized fibre in significant quantities. Japanese investors have offered to buy 500,000lb of the product each year from Caribbean producers, but farmers could not guarantee consistent delivery in such quantities.

The four islands established a company, in which Scothalls of Canada was a major investor, with a plan to spin cotton and produce fabric and garments in the region. Faltering production and disagreements among the partners over management practices left the venture unable to meet its targets. The small quantities being produced in the eastern Caribbean are being sold to Japanese trading houses. All spinning and weaving of sea island cotton is done in Japan.

The faltering industry has also been adversely affected by legal arguments over the use of the sea island cotton trademark. Producers have alleged that US companies have attempted to pass off high quality Egyptian cotton as the sea island product.

"Because demand is high and production is low, there will always be an opportunity for some people to claim that what they have is the genuine product," said a former Barbadian cotton farmer. "There is a good market for the product but farmers have long memories and the earlier problems do not encourage many to jump into cotton production."

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,570-1,615 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.39-0.44.

COBALT: MB free market, 99.8 per cent, $ per lb, in warehouse, 12.00-12.40 (12.00-12.55); 99.3 per cent, $ per lb, in warehouse, 11.00-11.45 (11.00-11.40).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 95-110 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.45-2.50 (2.40-2.50).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.55-5.30.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 26-37 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.30-1.45 (1.35-1.40).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 6.90 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

The COCOA market made a fresh attempt at breaking overhead resistance but, as on Monday, early gains were lost in the afternoon. "It's been a funny old day – a bit like yesterday," one trader said. "Every time we run up a little, the market doesn't see any real follow-through buying." The March futures position at the London Commodity Exchange ended £3 up at £970 a tonne, after touching £978 at one stage. At the London Metal Exchange ZINC trading slackened in the afternoon after a lively start. A speculative surge ran into overhead resistance above $920 a tonne for three months metal and the price ended after hours trading at $916 a tonne, up $13. The LEAD market moved away from early 20-year lows on late commission house buying and covering, although prices still finished softer following a morning mini-collapse. The final three months delivery price was $371 a tonne, down $7 on balance but $6 above the low. Despite 1994 consumer interest and option business, the market's short-term fundamentals were poor, with supply continuing to outpace demand, traders said.

Compiled from Reuters

London Markets

SPOT MARKETS		+ or -
Crude oil (per barrel FOB)(Nov)		
Dubai	$14.66-4.69z	-0.025
Brent Blend (dated)	$16.79-6.81	-0.075
Brent Blend (Nov)	$17.10-7.12	-0.010
W.T.I. (1 pm est)	$18.48-8.51z	+0.050
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$187-189	+1
Gas Oil	$175-176	
Heavy Fuel Oil	$61-63	+1
Naphtha	$155-157	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♦	$353.25	+0.50
Silver (per troy oz)♦	403.5c	-1.00
Platinum (per troy oz)	$356.00	-0.75
Palladium (per troy oz)	$123.90	-1.70
Copper (US Producer)	85.5c	-0.5
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	10.90m	-0.11
Tin (New York)	209.5c	
Zinc (US Prime Western)	52.0c	
Cattle (live weight)†	117.74p	-1.36*
Sheep (live weight)†♦	80.31p	+1.50*
Pigs (live weight)†	82.58p	-4.47*
London daily sugar (raw)	$270.0	+1.8
London daily sugar (white)	$286.0	-2.0
Tate and Lyle export price	£289.5	-0.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120u	
Wheat (US Dark Northern)	£168.5u	
Rubber (Nov)♥	59.00p	-0.25
Rubber (Dec)♥	58.25p	-0.25
Rubber (KL RSS No 1 Jul)	199.5m	-1.0
Coconut oil (Philippines)§	$410.0v	-2.5
Palm Oil (Malaysian)§	$327.5z	-2.5
Copra (Philippines)§	$185.0u	-5.0
Soyabeans (US)	£166.0u	+0.15
Cotton "A" index	56.00c	
Wooltops (64s Super)	329p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov. v-Nov/Dec u-Oct y-Oct/Nov x-Dec ♥London physical. §CIF Rotterdam. ♦ Bullion market close. m-Malaysian cents/kg. †Sheep prices are now live weight prices * change from a week ago, provisional prices.

CRUDE OIL - IPE			$/barrel	
	Latest	Previous	High/Low	
Nov	17.12	17.08	17.18	16.86
Dec	17.39	17.28	17.43	17.14
Jan	17.51	17.48	17.58	17.31
Feb	17.61	17.58	17.71	17.45
Mar	17.75	17.66	17.78	17.52
Apr	17.83	17.70	17.83	17.58
May	17.70	17.77	17.70	17.65
Jun	17.80	17.80	17.81	17.80
IPE Index	17.23	17.32	17.23	17.23

Turnover 33416 (38423)

GAS OIL - IPE			$/tonne	
	Close	Previous	High/Low	
Oct	172.25	172.00	173.25	170.75
Nov	173.25	172.50	173.75	171.25
Dec	173.75	173.00	174.75	172.00
Jan	174.50	173.50	174.75	171.80
Feb	173.25	172.50	173.00	171.80
Mar	171.50	171.00	172.00	170.25
Apr	169.25	168.75	168.75	167.50
Jun	168.50	168.25	167.75	166.50

Turnover 18845 (14770) lots of 100 tonnes

SUGAR - LCE			($ per tonne)	
White	Close	Previous	High/Low	
Dec	278.80	280.00	280.50	278.80
Mar	282.00	283.00	283.30	282.00
May	283.50	285.00	284.60	284.50
Aug	287.00	288.00	288.20	287.70
Oct	280.10	281.50	281.50	281.20

Turnover 922 (889) Paris- White (FFr per tonne): Dec 1585.01 Mar 1624.95

JUTE

September/October c and f Dundee BTC $355, BWC $365, BTD $330, BWD $340; c and f Antwerp BTC $330, BWC $330, BTD $300, BWD $300.

COTTON

Liverpool- Spot and shipment sales amounted to 40 tonnes for the week ended 1 October, against nil in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles notably in the Benin range.

No.7 RAW SUGAR - LCE			(cents/lbs)	
	Close	Previous	High/Low	
Mar	10.94	11.02	11.01	10.93
May	11.04	11.08	11.10	11.04
Jul	11.26	11.27	11.28	11.25

Turnover 543 (919) lots of 50 tonnes.

COCOA - LCE			£/tonne	
	Close	Previous	High/Low	
Dec	947	948	955	940
Mar	971	967	978	963
May	975	969	982	965
Jul	978	969	982	966
Sep	977	971	982	968
Dec	977	970	980	965
Mar	979	971	980	973
May	979	974	982	970
Jul	982	978	987	966
Sep	987	980	988	984

Turnover: 8632 (16352) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Oct 4 944.86 (932.67) 10 day average for Oct 5 916.03 (916.58)

COFFEE - LCE			$/tonne	
	Close	Previous	High/Low	
Nov	1187	1162	1168	1148
Jan	1172	1175	1175	1158
Mar	1163	1171	1164	1158
May	1161	1171	1163	1160
Jul	1160		1157	

Turnover: 1945 (2968) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Oct 4 Comp. daily 66.83 (66.86) 15 day average 71.11 (71.50)

POTATOES - LCE			£/tonne	
	Close	Previous	High/Low	
Apr	87.0	90.2	89.5	86.7
May	102.5	103.8	101.0	

Turnover 164 (48) lots of 20 tonnes.

FREIGHT - LCE			$10/index point	
	Close	Previous	High/Low	
Oct	1427		1485	1425
Nov	1430		1440	1430
Dec	1433		1440	1433
Jan	1443		1460	1440
BFI	1408	1410	1408	

Turnover 156 (1)

GRAINS - LCE			£/tonne	
Wheat	Close	Previous	High/Low	
Nov	99.80	100.00	100.10	99.25
Jan	101.00	101.10	101.10	100.40
Mar	102.95	103.10	103.00	102.40
May	104.95	105.10	105.10	104.40
Barley	Close	Previous	High/Low	
Nov	102.33	102.15	102.40	102.25
Jan	104.50	104.40	104.50	104.25
Mar	106.15	106.25	106.25	106.00
May	108.00		108.00	108.00

Turnover: Wheat 265 (253) Barley 89 (17)
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 34,870 lots
Cash	1090.5-1.5	1093-4	1091/1090.5	1091.5-2.0		
3 months	1111.5-2.0	1114-5	1112.5/1107	1112.5-3.0	1111.5-2.5	237,407 lots
Copper, Grade A ($ per tonne)						Total daily turnover 59,487 lots
Cash	1183-4	1168.5-9.5	1659	1659-60		
3 months	1686-7	1690-1	1690/1676	1684-5	1689-90	186,891 lots
Lead ($ per tonne)						Total daily turnover 4,569 lots
Cash	355-6	364-4.5		355-6		
3 months	369-70	376-8.5	377/365	368-9	371-2	22,177 lots
Nickel ($ per tonne)						Total daily turnover 10,747lots
Cash	4110-20	4115-25		4065-70		
3 months	4160-70	4165-75	4180/4100	4120-1	4180-90	45,919 lots
Tin ($ per tonne)						Total daily turnover 1,788 lots
Cash	4380-90	4375-80	4385	4380-5		
3 months	4430-40	4425-30	4455/4390	4430-40	4455-60	11,339 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 20,771 lots
Cash	904-5	879-81	901	901-2		
3 months	919-19.5	895-6	924/905	918-8.5	915.5-6.0	83,619 lots

LME Closing £/$ rate: SPOT: 1.5165 3 months: 1.5069 6 months: 1.4979 9 months: 1.4910

LME AM Official £/$ spot rate 1.5150

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	353.00-353.50	
Opening	354.00-354.40	
Morning fix	353.95	232.847
Afternoon fix	353.80	233.577
Day's high	354.00-354.30	
Day's low	352.60-353.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.75	6 months	2.69
2 months	2.71	12 months	2.66
3 months	2.69		

Silver fix	p/troy oz	US cts equiv
Spot	265.45	405.00
3 months	270.05	407.50
6 months	273.85	411.35
12 months	280.95	418.35

GOLD COINS	$ price	£ equivalent
Krugerrand	354.00-357.00	233.00-236.00
Maple leaf	363.35-365.80	
New Sovereign	83.00-86.00	54.00-57.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1075	35	62	13	12
1100	18	45	14	21
1125	8	28	32	32
Copper (Grade A)	Calls		Puts	
1650	61	87	20	38
1700	25	60	44	60
1750	18	40	79	89
Coffee LCE	Nov	Jan	Nov	Jan
1100	84	112	17	40
1150	52	87	35	65
1200	30	61	63	89
Cocoa LCE	Dec	Mar	Dec	Mar
875	84	126	12	30
900	65	109	18	38
925	48	93	27	47
Brent Crude	Nov	Dec	Nov	Dec
1700	24	-	10	29
1750	5	40	-	-
1800	1	18	-	-

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Oct	353.0	352.7	354.2	354.2
Nov	353.8	353.6	0	0
Dec	354.8	354.6	356.1	354.2
Feb	356.5	356.3	357.8	356.1
Apr	358.2	358.0	358.5	357.9
Jun	359.9	359.7	0	0
Aug	361.6	361.4	0	0
Oct	363.4	363.2	0	0
Dec	365.2	365.0	366.5	365.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	357.2	356.0	359.0	357.0
Nov	363.0	363.0	0	0
Jan	359.2	357.0	359.4	357.0
Apr	361.0	358.7	360.8	358.0
Jul	362.2	359.8	361.5	361.5
Oct	363.7	361.3	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Oct	406.3	405.4	402.0	402.0
Nov	408.3	407.3	0	0
Dec	408.5	407.5	410.0	403.5
Jan	409.7	408.7	0	0
Mar	412.6	411.8	413.0	408.0
May	415.4	414.4	0	0
Jul	418.1	417.1	418.0	418.0
Sep	420.7	419.7	416.5	416.5
Dec	425.0	424.0	425.5	420.0
Jan	428.2	425.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	75.20	74.30	75.20	74.20
Nov	75.55	74.70	75.55	74.95
Dec	75.90	75.05	76.10	74.70
Jan	76.15	75.30	0	0
Feb	76.45	75.55	0	0
Mar	76.75	75.85	76.80	75.70
Apr	76.90	76.10	0	0
May	77.15	76.35	77.00	76.40
Jun	77.40	76.60	0	0
Jul	77.65	76.85	77.60	77.40

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Nov	18.50	18.42	18.60	18.24
Dec	18.69	18.60	18.77	18.47
Jan	18.82	18.71	18.86	18.59
Feb	18.93	18.80	18.95	18.71
Mar	18.99	18.88	19.00	18.78
Apr	19.12	18.95	19.12	19.07
May	19.14	19.02	19.20	19.10
Jun	19.22	19.08	19.22	19.05
Jul	19.27	19.13	19.29	19.25
Aug	19.30	19.17	19.30	19.30

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Nov	56.05	55.93	56.55	55.80
Dec	56.85	56.79	57.30	56.50
Jan	57.25	57.12	57.50	56.90
Feb	57.20	56.97	57.35	57.00
Mar	55.95	55.89	56.25	55.80
Apr	54.85	54.64	55.00	54.95
May	53.49	53.49	0	0
Jun	53.30	52.99	53.30	53.30
Jul	52.89	52.99	0	0
Aug	53.59	53.59	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1204	1212	1220	1201
Mar	1237	1242	1251	1236
May	1250	1255	1260	1247
Jul	1265	1268	1275	1265
Sep	1282	1283	1290	1282
Dec	1294	1295	1303	1300
Mar	1312	1313	0	0
May	1327	1328	0	0
Jul	1333	1348	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	71.90	73.35	74.90	71.30
Mar	74.50	76.00	77.45	74.00
May	75.75	77.30	78.25	75.80
Jul	77.50	78.75	78.50	77.50
Sep	79.25	79.95	80.80	80.50
Dec	81.00	82.15	0	0
Mar	83.50	85.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	10.71	10.84	10.88	10.67
May	10.83	10.90	10.89	10.77
Jul	10.90	10.90	10.93	10.85
Oct	10.91	10.89	10.95	10.88

COTTON 50,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	56.40	56.40	0	56.84
Dec	58.54	58.24	58.65	58.00
Mar	60.02	59.78	60.05	58.57
May	60.70	60.40	60.70	60.30
Jul	61.33	61.10	61.30	60.91
Oct	61.62	61.45	0	0
Dec	61.72	61.58	61.75	61.25
Mar	62.50	62.25	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	131.35	130.85	132.35	130.95
Jan	132.50	132.25	133.30	132.05
Mar	133.50	133.35	134.20	133.75
May	134.50	133.80	135.00	134.50
Jul	135.45	135.05	135.00	134.75
Sep	135.85	135.70	0	0
Nov	135.85	135.70	0	0
Jan	133.95	133.95	0	0
Mar	133.95	133.95	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Oct 5	Oct 4	mnth ago	yr ago
1577.4	1578.1	1629.2	1575.3

DOW JONES (Base: Dec. 31 1974 = 100)				
	Oct 4	Oct 1	mnth ago	yr ago
Spot	117.02	117.10	NA	113.55
Futures	125.34	125.31	NA	114.50

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	606/0	605/4	608/4	605/4
Jan	612/6	612/6	617/2	612/4
Mar	619/6	620/0	624/0	619/2
May	624/6	624/6	628/0	624/4
Jul	628/6	628/6	632/0	628/2
Aug	628/4	629/0	630/2	628/0
Sep	620/0	620/2	623/4	620/0
Nov	614/2	614/6	617/4	614/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Oct	22.61	22.58	22.70	22.50
Dec	22.71	22.63	22.80	22.58
Jan	22.79	22.72	22.86	22.66
Mar	22.89	22.84	22.97	22.76
May	22.88	22.85	22.97	22.66
Jul	22.80	22.80	22.95	22.79
Aug	22.65	22.65	22.70	22.65
Sep	22.43	22.85	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Oct	187.7	187.1	188.4	187.5
Dec	187.5	187.2	188.3	187.3
Jan	188.3	188.1	189.2	188.3
Mar	190.0	189.9	191.3	190.0
May	191.5	191.3	192.5	191.5
Jul	193.7	193.8	194.7	193.7
Aug	194.0	194.4	194.7	194.0
Sep	194.2	195.0	195.0	194.2

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	236/4	237/0	238/4	236/2
Mar	244/6	245/2	246/6	244/4
May	250/2	250/4	251/6	250/0
Jul	253/2	253/2	254/4	253/0
Sep	250/0	250/2	251/0	250/0
Dec	245/4	244/4	246/0	244/4
Mar	252/0	251/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	314/2	312/6	317/0	312/6
Mar	319/4	317/4	321/0	317/4
May	316/2	315/0	7/6	5/2
Jul	308/6	308/2	309/4	308/0
Sep	313/0	312/6	0	0
Dec	324/0	321/6	324/0	322/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	72.325	73.450	73.350	72.250
Dec	74.275	75.100	75.025	74.225
Feb	75.275	75.675	75.700	75.100
Apr	76.300	76.525	76.550	76.050
Jun	72.675	73.025	73.050	72.525
Aug	71.450	71.750	71.750	71.300
Oct	71.950	72.425	72.100	71.850

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	49.650	49.275	49.800	49.050
Dec	50.800	50.400	51.050	50.500
Feb	50.275	49.700	50.450	49.850
Apr	47.850	48.025	48.100	47.700
Jun	52.125	52.325	52.250	51.750
Jul	50.925	51.350	51.250	50.925
Aug	49.450	49.675	49.650	49.450
Oct	45.550	45.875	45.850	45.400

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	57.675	58.200	58.000	57.000
Mar	57.400	56.200	57.850	55.800
May	57.250	58.450	57.850	58.000
Jul	57.375	56.250	57.400	56.150
Aug	56.475	55.275	56.475	54.450

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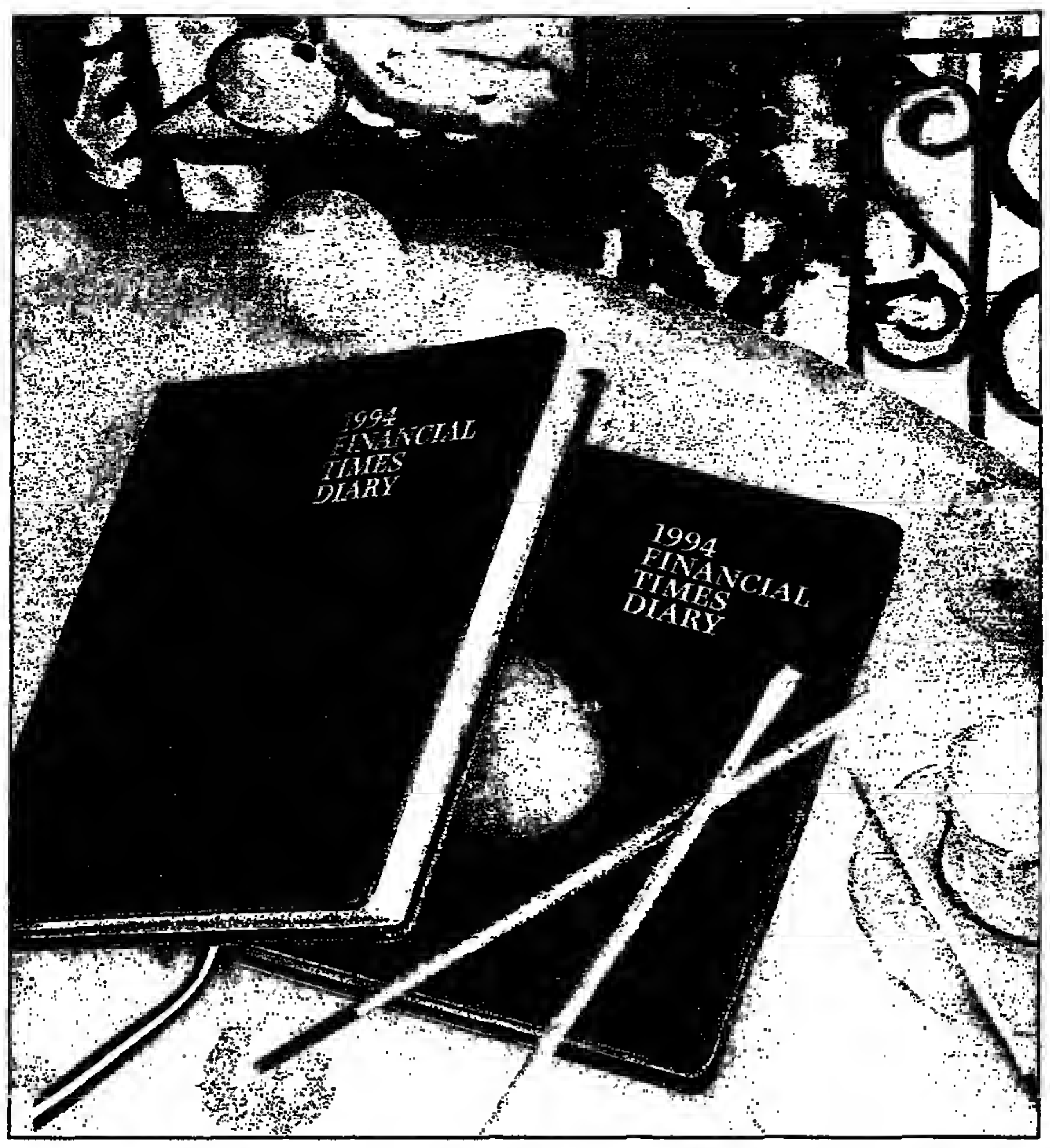

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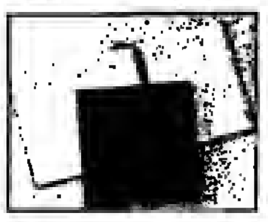

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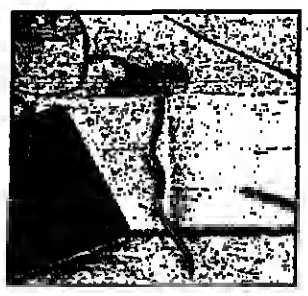

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LONDON STOCK EXCHANGE

Overseas buying drives shares ahead

By Terry Byland, UK Stock Market Editor

THE renewed strength of stock markets across Europe, emphasised in the UK by hopes of an early cut in domestic interest rates, took the London stock market yesterday to within a few points of the all-time high on the FT-SE Index. The dramatic events in Russia, reflected in calmer oil and currency markets, set the scene for confident buying of equities.

US and Continental European funds bought into the UK market, often by way of the December contract on the Footsie which continued to trade at a strong premium. Trading volume in equities, as reported by the day's catch-all Seaq total, was the highest since mid-August.

Shares opened higher and extended their gains as stock index futures raced ahead. At best, the Footsie was nearly 28 points ahead at 3,096.4, barely five points under the closing all-time high. The pace then slackened, but the FT-SE closing level of 3,085.2 was 17.5 points up on the day. At the end of August, the Footsie traded, but did not close, around 3,115.

The enthusiasm spread across the range of the market, lifting the FT-SE Mid 250 Index by 18.4 to 3,457.7. Seaq volume jumped by 40 per cent from Monday to a total of 774.3m shares, with non-Footsie business contributing around 62 per cent. Monday's retail business was worth £1.01bn, sustaining the twelve month long record of profitable trading in equities in the UK market.

Renewed buying of UK stocks by fund managers from across the Atlantic provided a significant boost to confidence as well as to share prices. Salomon Brothers International, the US investment bank which turned positive on London this week, was believed to be a buyer yesterday of both equities and stock index futures.

At Nomura Research Institute, Mr Nicholas Knight, the noted bull of the UK market, repeated his forecast that the Footsie will close the year around 3,500, although adding that to concentrate unduly on December 31 is to "miss the essence of any forecast."

Hopes for a cut in UK base rates are focused around the annual conference of Britain's Conservative party, now in session in Blackpool, and in particular on tomorrow's speech by Mr Kenneth Clarke, the chancellor of the exchequer. However, there was not much activity in UK fixed interest stocks yesterday and few City analysts expect base rates to be cut immediately.

With crude oil prices no longer responding to tensions in Russia or to last week's Opec agreement, the blue chip oil stocks lagged the stock market. Pharmaceutical stocks improved with the general trend but were not the favoured stocks of the US buyers.

Domestic consumer and banking stocks, however, were in good form as the market regained its confidence in prospects for a cut in base rates. Banks' burdens of bad debt would be eased if rates were cut.

Across the broader range of the stock market, expectations that the recovery in the UK economy will soon show itself in corporate profits appeared undimmed by the slightly disappointing outcome of the third quarter profits reporting season which has just ended. Optimism has been moved forward to cover prospects for the fourth quarter season which opens early in January.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]			
Brit Land	844	390	+5
British Steel†	6,500	125½	-1½
Bunzl	850	145	+3
Burmah Castrol†	145	782	+3
Burton	2,300	76	+1½
Cable & Wire.†	3,200	911	+13
Cadbury Schweppes†	2,100	458	+4
Caton Group	71	275	+2
Carlton Comms.†	872	764	-4
Coats Viyella†	3,000	260	+2
Comm. Union†	956	635	-3
Cookson	1,900	199	-3
Courtaulds†	3,200	491	-4
[illegible]			
Johnson Matthey	40	451	-2
Kingfisher†	986	657	+3
Kwik Save	393	679	+11
Ladbroke†	3,700	181	+3
Land Securities†	944	602	+9
Laporte	11	657	
Legal & General†	1,600	516	+12
Lloyds Abbey	1,600	446	+5
Lloyds Bank†	1,300	580	-7
LASMO	3,800	138½	-6½
London Elect.	1,100	570	+2
Lonrho	2,600	125½	+1½
Lucas	945	155½	-½
[illegible]			
Rolls Royce†	4,000	158	+2
Rothmans†	414	632	+3
Ryl Bk Scotland†	4,400	346½	+5½
Royal Insurance†	3,400	335	+2
Sainsbury†	6,800	438	+9½
Schroders†	16	1283	+8
Scottish & New.†	1,400	470	+11½
Scot. Hydro-Elect.	2,300	385½	+½
Scottish Power†	8,300	388	-6½
Sears†	4,800	115	+1
Sedgwick	873	178	+5
Seeboard	187	[illegible]	+2
Severn Trent Water†	1,400	542	
Shell Transport†	1,700	679	-3
[illegible]			
Utd Newspapers	1,400	555	-1
Vodafone†	2,700	522	+3
Warburg (SG)†	939	827	+12
Wellcome†	1,800	699	-11
Welsh Water	314	626	+8
Wessex Water	342	652	+10
Whitbread 'A'†	1,400	534	+7
Williams Hldgs.†	959	324	+2
Willis Corroon	629	217	-2
Wimpey	1,000	175	+2
Wolseley†	401	679	+4
Yorkshire Elect.	790	592	+2
Yorkshire Water	446	565	+8
Zeneca†	1,000	737	+8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

Account Dealing Dates		
*First Dealings:		
Sep 20	Oct 4	Oct 18
Option Declarations:		
Sep 30	Oct 14	Oct 28
Last Dealings:		
Oct 1	Oct 15	Oct 29
Account Day:		
Oct 11	Oct 25	Nov 8

*New time dealings may take place from two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3085.2 +17.5	3457.7 +18.4	1526.43 +8.31

[illegible]

Renewed pressure on BAT

THE downward slide in tobacco and financial services group BAT Industries continued yesterday after Hoare Govett and SG Warburg joined the list of houses that has recently downgraded profit expectations at the group.

Active selling of the stock brought volume of 9.4m by the close as the shares ended 5 off at 456p, having touched 450p earlier in the day.

Hoare Govett was said to have moved its current year forecast from £1.86bn to £1.80bn citing pressure on the US domestic tobacco market and in international exports for the move.

Researchers at Warburg are believed now to be expecting current year profits of £1.8bn against a previous estimate of £1.828bn. The group reported profits of £1.65bn last year.

Shares in BAT fell sharply at the end of last week after UK analysts on a visit to the group's US insurance operations came away with a less than rosy picture of near term trading.

BAe easier

Shares in British Aerospace (BAe) fell sharply as doubts about its proposed regional jets joint venture with Taiwan resurfaced following a renewed attack on the deal by the country's opposition political party.

Opposition deputies were reported to have suggested that the Taiwan Government may drop its support for the proposed £250m venture. The reports once again led to jitters on the London market which saw the shares tumble 13 to 407p at the day's worst, before they steadied, assisted by the strong market trend, to close 9 off at 411p, in thin trading of 1.6m.

One analyst said: "There is nothing concrete or new in these doubts but it brings to the surface worries that the deal may yet fail."

Invergordon busy

Shares in Invergordon surged on reports that one of its biggest institutional shareholders had been approached by Whyte & Mackay, the US group which holds a 41.2 per cent stake in the Scottish spirits company following a failed bid over two years ago.

Fleming Investment Management was reportedly unsuccessfully approached to sell its 13.6 per cent stake in Invergordon for 300p a share. Yesterday, the shares closed 20 ahead at 288p, although the turnover at 680,000 was not excessive. The US group launched its £350m hostile offer at 275p a share and has never discounted rebidding. Recent dull results from Invergordon were seen as encouraging for the predator.

Oils slide

A feeling that last wesk's advance in the oil sector following a production agreement at OPEC's had been over done, together with general profit-taking, brought a retreat for many oil stocks.

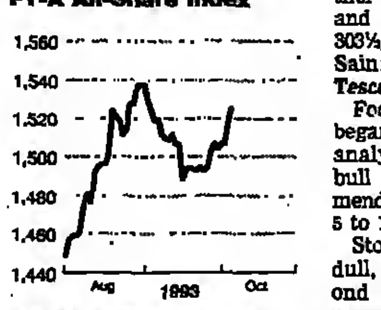
The biggest decline was in BP which gave up 8¼ to 321p, with 5.2m shares traded. Enterprise Oil fsll 8 to 468p, and Shell Transport shed 3 to 679p.

In their monthly note on the sector, researchers at Strauss Turnbull said the Opec agreement was, "a fudged compromise and not a strong agreement anyway. At best prices could hold at these levels but could easily show further weakness."

Hopes of a cut in UK base rates boosted several financial stocks. These included Gerrard & National 7 up at 515p, Abbey National 10 ahead at 431p. Allied Irish Banks put on 10 to after accepting an out of court settlement in its dispute with Ernst & Whinney.

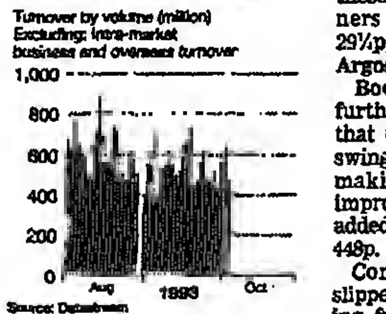
There was switching out of Scottish Power and into National Power after SG Warburg advised clients to take profits in the former. The broker said that dividsnd and earnings growth at National Power were superior and recommended switching as, at yesterday's opening share prices, yields on the two shares were almost identical. Scottish, which hit its all-time high on Monday, slipped 6½ to 388p in turnover of 6.3m, while National Power added 1¼ to 398p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover



Source: Datastream

Shares in British Airways gained 9¼ to 368¼p, after traffic data for September revealed a 14.3 per cent year-on-year increase in passenger traffic. Some 6.6m shares had been dealt by the close.

International mining group RTZ relinquished 7 to 675p after NatWest Securities was reported to have downgraded profit expectations.

A strong drinks sector, boosted as one broker highlighted its continuing recovery potential, saw widespread gains. Bass rose 7 to 475p, Whitbread 7 to 534p and Allied Lyons 8 to 576p.

Hotel-related stocks, hit last Thursday by dull results from Forte, recovered their losses. Greenalls climbed 10 to 378p, Vaux Gronp 6 to 248p and Forte itself 6 to 232p.

Airtours gained 6 to 412p. Smith New Court upgraded the holiday group, attributed to strong late bookings for summer 1993. The broker, which remains a strong buyer, is looking for £45m profits for this year, an increase of £3m on its previous estimate.

Ladbroke shook off the remnants of negative press comment and rumours to close 3 ahead at 181p. Manchester United continued to reflect its good football league form, the shares jumping 26 to 557p.

Food retail shares continued their good run following further positive noises from BZW and UBS. Argyll gained 5 to 303½p, Kwik Save 11 to 679p, J Sainsbury 9¼ to 438p and Tesco 8 to 208p.

Food manufacturer Unilever began a week of meetings with analysts, with Strauss Turnbull reiterating its buy recommendation. The shares put on 5 to 1063p.

Stores stocks were generally dull, although some of the second liners took time to do some catching up. Among these, Signet, the former Ratners group, climbed 1½ to 29¼p, Pentos 2 to 45p and Argos 6 to 347p.

Boots and WH Smith exacted further mileage from reports that they are about to impose swingeing cuts on their loss-making Do It All home improvements division. Boots added 4 to 485p and Smith 6 to 448p.

Construction group Raine slipped 6 to 84p after announcing full-year profits of £10.8m against £10m, and a dividend halved to 3p. Analysts had expected profits of around £11.5m and a dividend of 4p. However, many believe that the group still has good recovery potential via the reviving housing market.

RMC Gronp climbed 7 to 833p and Redland 8 to 563p as news of Russian stability calmed German markets where both have a vested interest. Spring Ram gained 2 to 68p on renewed speculation of a possible takeover from the US.

Motors group Bostrom gained 8 to 182p. Analysts suggested a buyer had purchased a large quantity of stock since the weekend.

T&N bounced back 5¼ to 188p after conveying confidence over the outcome of its legal battle in the US. But motors specialists expect tbe stock to remain volatile until after the broadcasting of a BBC documentary film which is expected to repeat allegations of property related asbestos claims later this month.

The poor fortunes of Wellcome puzzled many market watchers as the stock climbed 10 and then fell sharply back to close 11 down at 699p. The thin volume of 1.6m gave creedence to the belief that one sale was responsible for the decline.

Also weak was Fisons which gave up 2 to 161p. Pharmaceutical analysts pinned the blame on a weak launch of its drug Tilade in the US.

However, Glaxo benefited from a buy note from Hoare Govett amid generally positive sentiment surrounding tbe stock. It moved up 10 to 649p in a turnover of 4.1m. Hoare's Mr Nigel Barnes said that the expected aggressive dividend growth and the dispelling of some clouds over tbe outlook for the company meant a significant strengthening of its sentiment.

The announcement that SG Warburg owns 10 per cent of the ordinary shares of Zeneca came as the stock climbed 8 to 737p.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Saqib Qureshi,
Christine Buckley.

■ Other statistics, Page 21.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (214).
BRITISH FUNDS (12) AMERICANS (1) Lowe's, BANKS (7) Abbey Natl., Bank of Ireland, Bank of Scotland, Barclays, Natl. Westminster, Royal Bank of Scotland, TSB, BREWERS (2) Regent [illegible] Gerrard & Natl., Perpetual, Smith New Court, OTHER INDLS Do. Pf., St. James's Place Cap., OTHER INDLS (3) Charter, Vinten, Wilshaw. PACKG, PAPER & PRINTG (1) Arjo Wiggins Appleton. PROP (14) Asda, Bolton, Cap & Reg., Chesterfield, Clarke Nickolls & Coombs, Debenham Tewson & Chinnocks, Derwent Valley, Fletcher King, Gt. Portland, Land Securities, MEPC, PSIT, Slough Ests., Stanhope. STORES (2) Marks & Spencer, Menzies (J). TELE NETWORKS (3) Brit. Telecom P/P, Cable & Wire., Do. 7pc Cv. 2008, TEXTS (4) Allied Text., Drummond, SEET, Sirdar, TRANSPORT (4) BAA, Brit. Airways, Forth Ports, Powell Duffryn, WATER (1) Mid Kent, PLANTATIONS (1) Anglo-East.
NEW LOWS (14).
BRITISH FUNDS (2) Tr. 13¼pc 1993, Tr. 14½pc 1994, AMERICANS (1) Decora, CHEMS (1) Courtaulds, ENG GEN (2) Beauford, Wellman, Wheesoe, HEALTH & HSEHOLD (1) Drew Scientific, INSCE BROKERS (1) Alexander & Alexander, MEDIA (1) Scottish TV, MISC (1) Photo-Me, OIL & GAS (1) Midland & Scott., OTHER INDLS (1) Kelsey, PACKG, PAPER & PRINTG (1) Lawson Mardon.

FINANCIAL TIMES EQUITY INDICES

	Oct 5	Oct 4	Oct 1	Sep 30	Sep 29	Year ago	*High	*Low
Ordinary share	2345.8	2332.5	2312.6	2318.3	2323.6	1614.2	2414.2	2124.7
Ord. div. yield	3.98	4.00	4.02	4.02	4.01	4.89	4.52	3.82
Earning yld % full	4.68	4.70	4.73	4.72	4.72	7.10	8.36	4.51
P/E ratio net	27.30	27.15	26.86	27.05	27.08	17.85	28.30	19.40
P/E ratio nil	25.19	25.05	24.90	24.96	24.97	16.55	26.14	18.14
Gold Mines	182.6	182.5	185.3	184.9	180.5	69.4	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation: high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2339.2	2344.1	2351.0	2350.1	2347.1	2348.1	2348.2	2348.8	2344.8	2353.7	2333.2

Volume	Oct 5	Oct 4	Oct 1	Sep 30	Sep 29	Year ago
SEAQ Bargains	31,429	29,295	32,711	30,352	28,827	30,648
Equity Turnover(£m)†	-	1077.5	1371.3	1612.1	1307.3	911.5
Equity Bargains†	-	33,323	36,625	34,403	32,218	22,546
Shares traded (mil)†	-	472.4	629.2	562.1	449.6	369.2

† Excluding intra-market business and overseas turnover.

London report and latest Share index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

LONDON SHARE SERVICE

BRITISH FUNDS

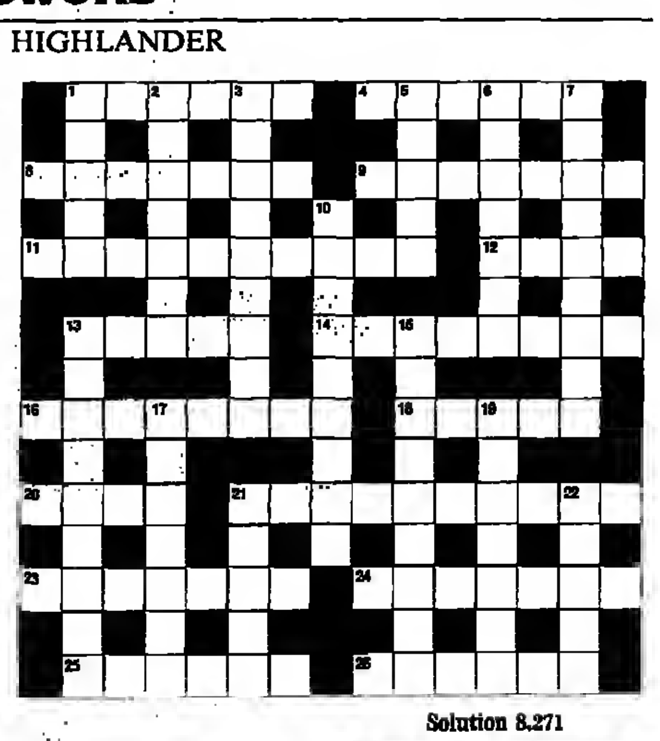
Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Treas 13¼pc 1993‡‡	101	-⅛	105⅛	101	13.61	[illegible]
8½pc 1994	100½		102½	100⅞	8.43	[illegible]
14½pc 1994‡‡	103⅞	-⅛	108¼	103⅞	14.00	[illegible]
Exch 13½pc 1994	104½xd		109⅛	104½	12.93	[illegible]
[illegible]						
Treas 10pc Ln. 1994‡‡	102⅜		105½	102½	9.71	[illegible]
Exch 12½pc 1994	105⅛		110⅛	105⅛	11.80	[illegible]
Treas 9pc 1994‡‡	103⅛		105⅛	103⅛	8.69	[illegible]
12pc 1995	108		111⅛	108	11.11	[illegible]
Exch 3pc Gas 90-95	97¼xd		97¼	94	3.07	[illegible]
10¼pc 1995	107⅜		108⅞	107⅛	8.52	[illegible]
Treas 12¾pc 1995‡‡	113⅞	+⅛	118⅞	113½	11.22	[illegible]
14pc 1996	117⅞	+⅛	120⅞	117⅛	11.85	[illegible]
15¼pc 1996‡‡	121½xd	+⅛	125⅞	121⅞	12.51	[illegible]
Exch 13¼pc 1996‡‡	117⅛	+⅛	120⅛	116½	11.30	[illegible]
Conversion 10pc 1996	110⅛	+⅛	111½	109⅞	9.03	[illegible]
Treas 13¼pc 1997‡‡	120⅞	+⅛	122⅛	118⅞	11.00	[illegible]
Exch 10½pc 1997	112⅞	+⅛	113⅞	110⅛	9.32	[illegible]
Treas 8¾pc 1997‡‡	108⅛	+⅛	109	105½	8.06	[illegible]
Exch 15pc 1997	130⅛xd	+⅛	132⅞	127⅞	11.53	[illegible]
9¾pc 1998	112⅞	+⅛	112⅞	109⅛	8.68	[illegible]
Treas 7¼pc 1998‡‡	103⅞xd	+⅛	103⅞	98⅞	6.98	[illegible]
7¼pc 1998 B‡‡	103⅛	+⅛	103⅛	101⅛	7.00	[illegible]
Treas 6¾pc 1995-98‡‡	101xd		101¼	97⅞	6.68	[illegible]
14pc '98-1	129⅞	+⅛	129½	125⅛	10.80	[illegible]
Five to Fifteen Years						
Treas 15½pc '98‡‡	137⅛xd	+⅛	138⅞	133⅞	11.29	[illegible]
Exch 12pc 1998	122⅛	+⅛	123⅞	118⅛	9.79	[illegible]
Treas 9½pc 1999‡‡	112⅞	+⅛	113½	108⅛	8.41	[illegible]
Exch 12¼pc 1999	126⅛	+⅛	125⅞	120⅛	9.81	[illegible]
Treas 10½pc 1999	117⅞	+⅛	118⅞	112⅞	8.91	[illegible]
Conversion 10¼pc 1999	117⅞	+⅛	118⅞	112⅛	8.71	[illegible]
9pc 2000‡‡	112⅞	+⅛	113	108	8.01	[illegible]
Treas 13pc 2000	132⅛	+⅛	133⅛	125½	9.82	[illegible]
10pc 2001	111⅞	+⅛	118⅛	108⅞	8.49	[illegible]
7pc '01(£57¼P/P)‡‡	81⅛	+⅛	81⅞	57⅞	8.59	[illegible]
9¾pc 2002	118⅛	+⅛	119⅛	108⅛	8.25	[illegible]
8pc 2003‡‡	107⅞	+⅛	108½	97⅛	7.41	[illegible]
8pc 2003 A‡‡	107⅛	+⅛	108⅞	102⅛	7.42	[illegible]

[illegible]

Continued on next page

CROSSWORD

No.8,272 Set by HIGHLANDER



ACROSS
1 Went one better than being chosen for big game (6)
4 Red colouring is more unstable (6)
8 Police rider carries surgical instrument (7)
9 Catches crustaceans for small people (7)
11 Female supporter goes round to have it evaluated and judged (10)
12 Marines are after the same sleeping accommodation (4)
13 Started to ask for a number (5)
14 Disdainfully brush aside two bears (4-4)
16 Notorious lover of old going round English county with a bag (8)
18 Cross check unknown factor (5)
20 Miss out on Sunday nap (4)
21 Canal attendant uses hair preserver (4-6)
23 Regular visitor put something in the shade (7)
24 French boat's cargo (7)
25 Most senior set led off (6)
26 Conventions made up of university men of learning (6)

DOWN
1 Singers need several sheets by the sound of it (5)
2 Crsmming crown over crowned head (7)
3 Present a new version based on old artificial language (9)
5 Greenfly starts to attack plants, half concealed (5)
6 Parched, so stopped talking (5,2)
7 First to realise Tory peer is involved in theatre (9)
10 Device for timing arrest by guard (9)
13 Sheep of this variety, first-born, are without features (9)
15 Forceful instruction to leave women in peripheral areas (9)
17 Used a very quiet German song (7)
19 Apparent glimpse of Chinese porcelain (7)
21 King of France? Yes, there, between Charles V and Charles VII (5)
22 Revise those attitudes and character (5)

Solution 8,271

[illegible]

JOTTER PAD

EQUITY FUTURES AND OPTIONS TRADING

OPTIMISM continued in derivatives trading with a mix of rumours of an early interest rate cut mingling with relief at the stemming of the Russian crisis, Christine Buckley writes.

The December contract on the FT-SE 100, in good health after the previous day's performance, began trading at a strong premium to the cash market. It pushed up to reach a day's high of 3,127 though that peak was short-lived and most of the high-level trading centred around 3,124-25.

Trading talk in the morning had Salomon as a keen buyer in a market that the large institutions largely watched from the sidelines. Independent traders took the most active roles and interest was keen from US buyers. Volume was steady at 8,656 contracts.

The arrival of sellers in the afternoon sent the contract drifting and December closed at 3,118 – a 13 point lead over the fair value premium to cash.

Some words of caution were nttered by bearish traders who felt that the continuation of Monday's enthusiastic buying of the December contract meant that the market had run ahead of itself.

Traded options saw good activity with volume jumping to 46,462 lots, more than 20,000 up on the previous session. Of the stock options Asda was highest at 10,493 with confidence in the food retailers buoyant after a recent strong buy note by BZW.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17¼xd	–½	28⅞	15⅝	14,855	2.6
Allegheny & W	♥	552½p	+8½	722p	398p	318.3	3.0
Amdahl		396p	–9	681p	294p	444.7	0.8
Amer Cyanamid		36⅛	—	38⅝	31¾	3,245	3.2
Amer Express		95¼xd	[illegible]	28⅞	14⅞	11,188	2.9
Amer T & T		39⅝xd	[illegible]	43¼	33⅛	52,058	2.3
Ameritech		40¼	–½	60¼	46	24,628	4.4
Anheuser-Busch		28[illegible]	[illegible]	41¼	29⅛	8,284	3.2
BankAmerica		29[illegible]xd	[illegible]	38[illegible]	27⅛	10,465	3.2
Bankers NY		52[illegible]xd	[illegible]	54⅛	42⅝	4,369	3.9
Bell Atlantic		40⅞	–1	42[illegible]	32¼	17,789	4.4
BellSouth		39½	[illegible]	41	32⅞	19,513	4.7
Bethlehem Steel	♥	9⅛xd	[illegible]	13⅛	8½	848.5	–
Bowater		1221pxd	–20	1662p	1169p	442.4	3.3
CPC		28[illegible]xd	–¼	34⅝	28	4,366	3.0
California Engy		1178p	—	1479p	1086p	£14.5	–
Chase Manhattan		24⅝xd	[illegible]	24⅞	17⅞	3,843	3.3
Chrysler		32⅛xd	[illegible]	32[illegible]	21¼	9,407	1.3
Citicorp		25⅜xd	–⅛	28½	13[illegible]	9,275	–
Colgate-Palm		35[illegible]xd	–½	45⅝	32	6,858	2.7
Cont'l Bank		1749p	–47	1877p	1278p	1,787	2.3
Dana		38xd	[illegible]	38⅝	29[illegible]	1,744	2.8
Data General		843p	–44	2519	527p	177.4	–
Decora Inds	♥	101½p	–6½	146p	101½p	–	–
Dun & Brad		40⅝	[illegible]	42¼	37⅛	7,243	4.0
Eaton		33½	[illegible]	34	25[illegible]	2,330	2.4
Echlin		20¼xd	—	21[illegible]	15[illegible]	1,194	2.5
FPL		26¼xd	[illegible]	27⅝	23¼	4,769	6.3
Ford Motor		40⅛xd	[illegible]	37[illegible]	28[illegible]	18,387	6.9
Gen Elect		63¼xd	+[illegible]	97[illegible]	53⅞	64,018	2.7
General Host	♥	519½p	–8½	723p	456p	–	4.4
Gillette		38½xd	[illegible]	42⅝	31[illegible]	8,485	1.5
Hasbro		20⅞	—	20⅝	20⅞	1,819	0.8
Honeywell		24¼xd	[illegible]	28½	30[illegible]	5,028	2.5
Houston Inds		30½	[illegible]	33¼	28¼	3,960	6.6
Ingersoll-Rand		24¼xd	[illegible]	25[illegible]	19⅛	2,598	1.6
Lockheed		42½	—	40⅛	35⅛	2,635	3.3
Lowe's		3068p	+56	3068p	1573p	2,238	6.7
Maxwy Technology		249p	–3	330p	127p	–	–
Merrill Lynch		84[illegible]xd	[illegible]	66⅝	37	6,848	1.4
Morgan (JP)		51¼xd	[illegible]	52⅝	38¼	9,820	3.1
Morris (Philip)	[illegible]	30¼xd	[illegible]	62⅝	28	26,609	5.8
NYNEX	h	30¼xd	[illegible]	32[illegible]	26½	9,248	5.2
Pall		13⅛	+½	15	10⅞	1,537	1.8
Pennzoil		43xd	[illegible]	47⅛	31[illegible]	1,870	4.5
Quaker Oats		44¼xd	–1⅛	50[illegible]	39[illegible]	3,169	3.2
Questex		304p	–35	687p	49½p	26.7	–
Rockwell		23⅝xd	[illegible]	24[illegible]	18[illegible]	6,181	2.8
Rep NY		34⅝xd	[illegible]	27[illegible]	29¼	1,812	2.1
Sears, Roebuck		36⅞xd	[illegible]	38¼	18[illegible]	9,549	2.9
Sthwestern Bell	h	28½	[illegible]	30½	23⅛	17,053	3.5

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Yld Gr's	NAV	Dis or Pm(-)
Scot Asian Pfg		227	+2	227	138	–	245.0	8.5
Warrants		538	+5	533	225	–	–	–
Scot East		78	+1	61½	63½	2.4	90.8	13.2
Scottish Inv		222	+4	222	163	2.6	254.9	12.9
Warrants		71¼	+2	71¼	38	–	–	–
Scot Mortgage		217	+3	225	178	2.3	245.8	11.7
Scot National Inc		102	–	102	83	9.2	–	–
Cap		34	+1	35	16	–	100.7	67.2
Stepped Pf		157	–	160½	150¾	4.8	–	–
Zero Div Pf		228½	–	231½	207	–	–	–
Warrants		3¼	–	6	2½	–	–	–
Scot Value		98	–	98½	71	2.9	94.6	-1.5
Sec Alliance		1583	+15	1592	1380	3.1	1711.7	8.7
Second Consld		171	-3	186	88	–	187.2	8.6
Second HGSC		102	+1	107	101	–	–	–
Second Market		388	+3	398	258	5.6	418.0	4.7
Sec Tst Scot		88½	+½	91	74½	4.6	89.6	1.1
Select Assets		185	+2	187	109½	1.0	186.1	15.6
Eq Ind Sert		150	+2	150	128	3.6	–	–
Eq Ind Sert		150	+2	150	128	3.6	–	–
SHIRESCOT		143	+1	143	184	4.6	139.9	-1.5

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

INVESTMENT COMPANIES

MEDIA

MOTORS

STORES

PACKAGING, PAPER & PRINTING

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.28	50.28	50.78		5.3
Capital Preference	5½	58.54	58.83	62.75	+0.22	7.8
Ethical	5½	55.82	56.57	60.18	+0.04	3.3
European Growth	5½	64.30	64.62	68.92	+0.01	2.5
Income	5½	56.57	56.92	60.71	+0.39	5.3
Intl Growth	5½	86.61	87.32	93.14	-0.06	2.7
Managed	5½	74.79	75.98	80.59	+4.46	3.3
UK Growth	5½	59.92	60.38	64.48	+0.90	4.0
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	0¾	47.44	47.44	06.41	+0.2	1.48
UK Equity Gth Acc	6¾	64.56	65.72	69.83	-0.8	1.29
UK Eq High Inc Inc	5¼	37.93	37.95	40.31	+0.2	3.43
UK Eq High Inc Acc	6¾	45.57	45.57	45.42	+0.2	3.43
UK Equity Gen Acc	6¾	57.67	58.72	62.40	+0.5	2.05
UK Equity Gen Inc	5¼	43.44	44.24	47.01	+0.4	2.05
UK Larger Cos Acc	F 1¼	395.0	400.3	434.4	+3.7	3.58
UK Larger Cos Inc	F 7½	289.0	303.7	329.8	+2.0	3.58
Gilt & Fxd Int Inc	5¼	32.51	32.60	34.46		8.20
O'seas Larg Cos Acc	F 7½	293.0	298.1	323.5	-0.8	1.46
Nth American Acc	6¾	43.88	44.10	46.92	-0.3	0.74
Far East Acc	5¼	61.18	61.18	65.01	+0.4	0.25
European Acc	5¼	45.58	45.58	48.43	—	0.68
State Street Unit Trust Mngmt Ltd (1400)F						
28 King Street, London SW1 6QW 071-344 7000						
Global A	5¼	$3.709	3.709	3.939	—	1.33
US Equities (a)	5¼	$2.250	2.250	2.387	—	1.12
Far East Equities (a)	5¼	Y247.4	248.0	264.3	—	
Japan Equities (a)	5¼	Y236.4	258.3	274.4	—	
FT Europe (a)	5¼	120.80	120.80	128.3	—	2.06
FT North American (a)	5¼	$1.765	1.766	1.870	—	1.28
FT Japan (a)	5¼	Y240.8	241.1	256.1	—	
FT Asia Ex Japan (a)	5¼	$2.037	2.059	2.187	—	1.46

	Bid Price	Offer Price	+ or -	Yield Gross
INVESCO Asset Management Ltd				
Exempt Funds				
Asia & Australasia	£3.5670	3.6540	—	2.2
Japan	£2.2100	2.2300	—	0.3
Intl Mngd P'folio (1000-11)	£1.8450	1.1490	—	0.7
Mngd Pens (Acc)	£0.9180	0.9582	—	3.6
North American	£2.5050	2.5315	—	2.5
Smaller Companies	£1.5270	1.5830	—	3.8
UK Core	£1.0910	1.1050	—	4.1
Jupiter Merlin Unit Trust Managers Ltd				
Jupiter Merlin Exempt Trust				
UK Equity	£13.80	14.12	—	
Lazard Brothers & Co. Ltd				
Property Sep 22	£2075.0	2245.0	—	1.0
Inc Gth Prp Jul 12	£1440.0	1600.0	—	0.6
Lazard Investors Ltd ‡				
Exempt Funds				
Small Co's Sep 30	£5540.3	5751.4	—	2.3
European Sep 30	£778.3	786.0	—	1.4
American Sep 30	£436.2	440.0	—	1.3
Japan Sep 30	£612.0	610.0	—	0.4
Pacific Sep 30	£212.2	216.0	—	0.0
Midland Gth Aug 31	£131.90	143.60	—	
Local Authorities Mutual Invest. Tst.*				
7 Fore Street, London EC2Y 5AD 071-588 1815				
Property Sep 30	186.30	190.56	+3.85	
Equity Sep 30	1075.50	1106.0	-19.10	
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond (z)		116.56	-0.3	
(Accum Units)		832.8	+2.3	
NAACIF (z)		49.21		

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Gold Range (Pensions)				
Managed Fund		170.2	-0.2	-

Provident Mutual Life Assc. Assn.
6 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	445.5	469.1	+2.3	-
Managed Intl	312.1	328.5	+1.4	-
Equity Ord	666.3	701.3	+5.6	-
Equity Intl	466.6	491.2	+3.8	-
Index Linked Gilt Ord	206.8	217.7	+1	-
Index Linked Gilt Intl	151.3	159.3	-0.2	-
Overseas Equity Ord	364.7	383.9	-0.2	-
Overseas Equity Intl	255.4	268.8	-0.2	-
Property Ord	235.1	247.0	+0.1	-
Property Intl	164.6	173.3		-
Fixed Interest Ord	280.3	295.1	+0.7	-
Fixed Interest Intl	196.3	206.6	+0.4	-
Deposit Ord	196.6	206.3		-
Deposit Intl	139.2	146.5		-
Pension Funds				
Managed Ord	597.4	628.0	+3.4	-
Managed Intl	418.4	440.4	+2.4	-
Equity Ord	923.9	972.5	+8.6	-
Equity Intl	647.1	681.2	+6.0	-
Pen Ind Lkd Gilt Ord	236.0	248.4	+1.1	-
Pen Intl Lkd Gilt Intl	172.6	151.7	+0.6	-
Overseas Equity Ord	433.0	455.8	-0.2	-
Overseas Equity Intl	303.2	319.2	-0.2	-
Property Ord	303.6	319.6	+0.1	-
Property Intl	212.6	223.8		-
Fixed Interest Ord	365.2	385.2	+0.8	-
Fixed Interest Intl	256.5	270.0	+0.5	-
Deposit Ord	292.3	307.7	+0.1	-
Deposit Intl	204.7	215.5		-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prufund				
Managed Sep 29	317.2	330.8		-

Prudential Corporate Pension Funds
55 King's Road, Reading RG1 3AH 0734 494862

Prudential Managed Funds

[illegible]

Scottish Amicable
168 St Vincent St, Glasgow 041-248 2323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds (First Series)				
Managed	455.5	456.6	+1.00	-
Equity	546.7	575.5	+0.90	-
Property	248.5	261.6		-
International	436.3	459.3	+1.80	-
Japanese	122.8	129.3	+0.40	-
Asia Pacific	157.8	163.8	+2.20	-
European	110.7	125.1	+0.90	-
American	168.1	164.4	-0.90	-
Fixed Interest	365.9	385.2	-0.20	-
Index-Linked Gilt	202.4	213.1	+0.60	-
Cash	222.8	234.6	+0.10	-
Life Funds (Second Series)				
Managed	121.8	127.0	+0.30	-
Equity	117.8	124.0	+0.20	-
Property	104.6	110.1		-
International	135.0	142.2	+0.60	-
Japanese	123.2	129.7	+0.30	-
Asia Pacific	154.7	162.9	+2.20	-
European	119.0	125.3	+1.00	-
American	152.8	160.9	-0.90	-
Fixed Interest	137.0	145.1	+0.10	-
Index-Linked Gilt	129.6	136.6	+0.40	-
Cash	110.7	110.0	+0.10	-
Pension Funds				
Building Society	175.0	185.3	+0.10	-
Managed (Intl)	251.0	264.5	+0.80	-
Managed (Acc)	307.8	534.4	+1.70	-
Equity (Intl)	283.3	298.3	+0.60	-
Equity (Acc)	871.7	871.6	+1.60	-
Property (Intl)	152.3	160.4		-
Property (Acc)	307.4	323.6		-
International (Intl)	254.7	268.2	+1.40	-
International (Acc)	514.0	541.1	+2.90	-
Fixed Interest (Intl)	243.4	256.6		-
Fixed Interest (Acc)	491.3	517.2	+0.20	-
Cash (Intl)	164.4	101.6	-0.10	-
Cash (Acc)	309.7	326.0		-
Others				
Capital Guarantee Bond	105.9	111.6	+0.00	-

Scottish Equitable Life Assce. Soc.

[illegible]

Sun Alliance Group - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pension Funds				
Managed	494.7	[illegible]		
Building Society	188.0	[illegible]		
Deposit	337.2	[illegible]		
Equity	573.2	[illegible]		
Equity Income	186.3	[illegible]		
Far East	99.60	[illegible]		
Fixed Interest	477.9	[illegible]		
Index Linked	444.5	[illegible]		
International	567.2	[illegible]		
Property	260.7	[illegible]		
Worldwide Bond	174.2	[illegible]		
Fram Special Managed	172.4	[illegible]		
Fram America Smlr Cos.	182.8	[illegible]		
Fram America Tarrmanaed	178.3	[illegible]		
Fram Capital Tst	156.5	[illegible]		
Fram Intl Growth	181.0	[illegible]		
Fram Japan & General	256.3	[illegible]		
Fram Recovery Tst	242.6	[illegible]		
GT Special Mngd	166.2	[illegible]		
GT Amer Spec Sits	175.9	[illegible]		
GT Capital	195.6	[illegible]		
GT European	149.5	[illegible]		
GT Far East & Gen	192.0	[illegible]		
GT International	168.7	[illegible]		
GT Japan & General	147.8	[illegible]		
GT US & General	218.8	[illegible]		
Questor Intl	107.6	[illegible]		
Broker Funds				
Bankall	106.5	[illegible]		
Bankall Conservative	94.20	[illegible]		
EBS Deposit	111.6	[illegible]		
EBS Equity	128.6	[illegible]		
EBS Managed	431.2	[illegible]		
I.A.S. Pens	254.0	[illegible]		
Index Exempt Portfolio	102.8	[illegible]		
Reddivite Trustee Pens	152.1	[illegible]		
Phoenix Life Funds				
Wealth Assured	611.3	[illegible]		
Ebor Phoenix Eqty	441.0	[illegible]		
Phoenix Pension Funds				
Special Mngd	269.7	[illegible]		
Building Society	236.4	[illegible]		
Equity	304.5	[illegible]		

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

LUXEMBOURG

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

Dollar recaptures lost ground

THE US dollar regained some of its early losses yesterday as investors took a more balanced view of events in Russia and bopes of positive US economic data at the end of the week, *writes Peter John*.

It weakened against the D-Mark in early European trade, hitting DM1.6140 at one stage and settling at DM1.6173 at the midday price fixing in Frankfurt. From there it rallied strongly throughout the afternoon as the market looked towards the publicatioo of non-farm payroll figures – the most important monthly business indicator in the US – on Friday. The rally was further helped by encouraging housing figures – US bousing completions for August rose 11.3 per cent after a revised fall of 6.4 per cent in July – and by the close in London the dollar had ticked back up to DM1.6235, barely changed on the day.

It also pulled back more than a cent from an early low against the pound to close at $1.5170 in London, against $1.5150 on Monday.

The US currency has slumped from just under DM1.75 at the time of the collapse of the European exchange rate mechaoism at the beginning of August and by mid-September it had reached a low of DM1.5860. The fall was fuelled by growing nervousness over the state of the economy. Since then, dealers have decided that the currency was oversold and there has been a technical rally.

The D-Mark joined an across-the-board rise in German financial markets as tha country breathed a general sigh of relief that the status quo in Russia appeared to have been restored: the DAX index gained more than 2.5 per cent to close at a record high and hund futures rose nearly half a percentage point at best.

The currency held sway in Europe reflecting a belief that the German Bundesbank will not reduce key interest rates at its council meeting tomorrow. However, it had already risen strongly against the dollar on Monday in response to President Yeltsin's victory and the rally proved unsustainahle.

Sterling failed to respond to indications coming from the Tory party conference in Blackpool that the government would not instigate a politically inspired interest rate cut hut regained earlier D-Mark lossas to close marginally firmer at DM2.4625, up from DM2.4600 previously.

The Canadian dollar, whicb has been very badly hit ahead of general elections on October 25, recovered earlier losses. On Monday, in spite of intervention from the Bank of Canada, the Canadian dollar broke through C$1.34 against its US equivalent for the first time June 1987. Yesterday, it opened at C$1.3373.

The Japanese Yen responded to positive comments by Mr Yasushi Mieno, the governor of the Bank of Japan, and ignored the latest current account figures which showed that, in Yen terms, exports were down by 13 per cent against the same time last year. It rose slightly to Y105.50 against the dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 5	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.14325	-2.43	6.67	10
D-Mark	1.94964	1.90805	-2.13	6.34	21
Spanish Peseta	154.250	154.655	0.26	3.90	-2
Irish Punt	0.808628	0.814174	0.69	3.37	-5
French Franc	6.53883	6.66378	1.91	2.12	-18
Portuguese Escudo	192.854	197.332	2.32	1.71	-16
Belgian Franc	40.2123	41.3185	2.75	1.29	-30
Danish Krone	7.43679	7.73978	4.07	0.00	-28

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. ‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

£ IN NEW YORK

Oct 5	Latest	Previous Close
£ Spot	1.5160-1.5170	1.5132-1.5142
1 month	0.37-0.36pm	0.39-0.38pm
3 months	0.98-0.96pm	0.98-0.96pm
12 months	3.15-3.08pm	3.15-3.08pm

Forward premiums and discounts apply to the US dollar

POUND SPOT - FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

BASE LENDING RATES

MONEY MARKETS

Conditions soften

THE MORE relaxed trend in the UK money markets continued yesterday as a number of operators sat back and waited for clues on impending monetary policy to filter from the Tory party conference, *writes Peter John*.

Short sterling maintained its very tight range and the Bank of England operations were coopleted by midday.

The central bank offered the money market an early round of assistance after forecasting a liquidity shortage of around £900m.

The shortage, slightly less than recent days, was well bid and easily taken out.

Among the main factors affecting the position were the take-up of Treasury Bills and paper maturing in official hands which were expected to drain £273m from the system.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Bills for repurchase hy the market took out £647m and hankers' halances below target removed £150m. Partly offsetting these, Exchequer transactions added £50m and a fall in note circulation injected £115m.

The Bank provided £750m of early assistance, buying £750m of bills for resale to the market in equal amounts on October 25 and 26 at $5\frac{29}{32}$ per cent.

It provided a further £150m later in the morning, bringing total help to £900m.

This compared with its latest forecast of a £1bn liquidity shortage.

Short sterling moved within a very narrow range with the most actively traded contract, for delivery in December, recording paltry turnover of 10,200 lots and closing only four basis points lower at 94.34. That level discounts a third of a percentage point off base rates and is seeo as a reasonable hedge on a half point cut around the time of next month's budget.

Also, three-month money which is seen as the crucial indicator of where base rates will be in the short term, held fast at between $5\frac{15}{16}$ per cent and $5\frac{7}{8}$ per cent.

One dealer said: "The money market doesn't expect a cut at the moment but it is watching the conference with half an eye and without getting too upset."

● German Euromark futures traded on Liffe held fast around 93.80 with nearly 30,000 lots dealt.

The market decided the Bundesbank was unlikely to cut interest rates at tomorrow's council meeting as it comes too soon after the inauguratloo of Mr Hans Tietmeyer as the German bank's new head.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close October 5

MONTREAL

4 pm close October 5

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

	Oct 1	Sep 24	Sep 17	year ago (approx.)
Dow Industrial Div. Yield	2.85	2.88	2.81	3.24
	Sep 29	Sep 22	Sep 15	year ago (approx.)
S & P Industrial div. yield	2.49	2.51	2.47	2.70
S & P Indl. P/E ratio	27.76	27.52	27.84	27.40

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
HCA-Hospital	5,865,700	29	+ 6¼
Columbia Hlth	3,678,900	28⅞	- 1⅛
ADV Micro	2,468,000	28¾	+ ⅞
IBM	2,413,100	44¼	+ ⅜
RJR Nabisco	2,278,300	4½	—
Phillips Pet	2,202,900	36⅞	+ 1¼
Marriott	2,095,200	7⅝	+ ⅝
Safeway	1,831,300	18⅛	- ⅜
Wal-Mart	1,763,700	24¾	—
Belden	1,748,800	14⅞	- ¼

TRADING ACTIVITY

† Volume (Millions)	Oct 4	Oct 1	Sep 30
New York SE	225.843	258.585	280.990
Amex	19.423	20.184	28.074
NASDAQ	237.502	290.018	306.211
NYSE			
Issues Traded	2,837	2,813	2,823
Rises	1,146	1,086	1,122
Falls	887	888	868
Unchanged	804	829	833
New Highs	139	142	107
New Lows	15	23	25

CANADA TORONTO

	Oct 4	Oct 1	Sep 30	Sep 29	1993 HIGH	1993 LOW
Metals & Minerals	2846.57	2825.99	2825.12	2812.98	3140.84 (16/8)	2743.31 (21/1)
Composite	4002.00	3988.20	3990.60	3983.20	4143.70 (1/9)	3275.80 (21/1)
MONTREAL Portfolio	1876.09	1888.74	1867.17	1854.99	1983.55 (1/9)	1720.87 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto ... indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ ... Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical ... the highest and lowest prices reached during the day by each stock; ... (supplied by Telekurs) represent the highest and lowest values that the ... figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD

M.S. Capital Intl (1/1/70) $	598.1*	595.0	592.5	591.4	605.20 (8/9)	498.60
Euro Top-100 (26/6/90)	1125.34	1112.48	1106.78	1104.32	1133.15 (30/9)	862.75

**Saturday October 2: Taiwan Weighted Price; 3808.86. Korea Comp Ex; 718.55.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall ... 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday, October 5, 1993

	Stocks Traded	Closing Prices	Change on day
Fujitsu	3.9m	830	-12
Nippon Steel	3.8m	320	-4
NKK Corp	3.3m	268	+2
Hitachi	3.1m	834	+10
Tokyo Gas	3.1m	515	-2
Sharp Corp	2.9m	1,560	+10
Toyota Motor	2.9m	1,750	+40
Isuzu Motors	2.6m	400	-7
Mitsubishi Hvy	2.5m	645	
Tokyo Elec Pwr	2.2m	3,370	-20

JAPAN

4 pm close October 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- A -

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.40	3.0	62	259	13¼	12¾	13¼	+½
29⅜	13¾	A L Labs A	0.18	1.0	26	00	17⅞	17½	17⅝	-⅛
67¼	54⅝	AMP Inc	1.60	2.4	23	1169	66⅛	65½	65¾	-½
72¼	55½	AMR			17	3709	66⅞	60⅝	65⅝	-½
3¾	1¾	ARX			14	1635	u3⅞	3⅝	3¾	+⅛
51½	29⅞	ASA	2.00	4.2	36	598	43⅛	42⅝	43	+½
30¾	22⅝	Abbott Lab	6.68	2.5	17	7753	27⅝	26⅝	27⅛	+⅛
12⅝	8¼	Abitibi Pr	0.56	6.0	3	37	8½	d8¼	8⅜	+⅛
15¾	6¼	Acptncein			45	20	14⅝	14⅝	14⅝	
28	25½	ACE Ltd	0.92	2.7		347	33¾	33⅜	33½	-⅛
12	10¼	ACM Gvt In	0.96	8.5		368	11⅜	11¼	11¼	-⅛
10	9⅛	ACM GvOpp x	0.80	8.2		63	9⅞	9¾	9¾	-⅛
9⅞	8¼	ACM Gvt Sp x	0.00	8.2		390	9⅞	9⅝	9⅝	+⅛
11⅝	10½	ACM Gvt Sa x	0.80	8.4		425	11½	11⅜	11⅝	
11⅝	9⅝	ACM Man 4	1.00	0.4		100	311⅝	11⅜	11½	
9⅜	8⅝	ACM Managd x	0.72	7.7		217	u9⅜	9⅛	9⅜	+⅛
12⅜	7¾	Acme Cleve	0.44	4.7	12	60	9⅜	9⅜	9⅜	+⅛
9¼	6¾	Acme Elect			47	10	6⅝	6⅝	6⅝	
27⅝	16⅛	Acordia	0.44	1.7	15	203	25¾	25¼	25¾	+⅜
16	16⅛	Acuson			33	327	12¼	12	12	-⅛
21¾	16¼	Adams Expr	0.40	2.5	6	447	16⅞	16⅜	16⅜	+¼
66¼	45½	Ad Micro	3.00	5.8		4338	54¼	51¼	31⅞	-5⅛
32¾	17⅝	Ad Micro P	3.00	13.7		870640	24¼	31	21⅞	-4⅝
7¼	5½	Advest Grp	0.16	2.3	12	26	7	7	7	-⅛
24¼	15½	Advo Inc	0.50	0.5	17	767	16	15⅞	15⅞	-⅛
50⅛	41⅛	Aegon ADR	1.23	2.4	10	93	u50⅛	49⅜	50⅛	+⅝
60¾	43⅞	Aetna Lf	2.76	4.5	43	4652	u61¾	59⅞	61⅝	+1¾
34	26⅜	Aflac	0.40	1.3	15	1346	32¼	31⅜	31⅞	+½
22⅛	16¼	Ahmanson	0.88	4.5	6	1958	20	19⅝	19¾	-⅛

[illegible]

Continued on next page

4 pm close October 5

NYSE COMPOSITE PRICES

Continued from previous page

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

4 pm close October 5

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close October 5

AMERICA

US equities react to gains overseas

Wall Street

GAINS on European markets on the apparent resolution of the Russian political crisis provided US share prices with a firm lift yesterday morning, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 12.29 at 3,590.05. The more broadly based Standard & Poor's 500 was 0.36 higher at 461.70, while the Amex composite was up 0.90 at 462.48, and the Nasdaq composite up 1.06 at 765.90.

Trading volume on the NYSE was 160m shares by 1 pm, and rises outnumbered declines by 1,019 to 798.

Stocks moved higher at the opening bell as investors and traders reacted positively to news of substantial gains on foreign equity markets.

Stocks in London, Frankfurt – where they rose to a record high – and Paris were all higher yesterday morning as investors breathed e sigh of relief at the victory of President Boris Yeltsin over the anti-reform hard-liners who had occupied the Parliament building in Moscow.

Overseas stocks were also buoyed by talk of e more positive outlook for European economies, something which also contributed to early gains in US prices. Sentiment received additional support from anotber decline in US bond yields.

Among individual stocks, Daimler-Benz made its debut on the NYSE yesterday – the first German company to obtain a full listing on US markets. Amid mucb publicity, trading began with Daimler's ADRs (every 10 ADRs represent one Daimler share) rising to $47, close to their equivalent price in Frankfurt. By early afternoon, the ADRs had eased back to $46⅞, in volume of 1.1m shares.

Semiconductor and technology stocks, whicb had been in demand lately, suffered a setback yesterday when Advanced Micro Devices reported third quarter earnings of 51 cents a share, up from 51 cents e sbare a year ago but well below analysts' estimates. The news left Advanced Micro down $4 at $22¼ in volume of 2.8m shares, and also depressed Motorola, down $1⅞ at $99⅛, Hewlett-Packard, down $1¼ at $68, and IBM, $½ lower at $43¾.

Paramount Communications climbed $¼ to $78 in active trading as investors reacted to Monday's late announcement that Nynex, the regional telecommunications group, was investing $1.2bn in Viacom, the cable television company which has made an agreed $7.5bn bid for Paramount.

The investment from Nynex wss seen as giving Viacom more room to increase the size of its bid, and possibly match a rival $9.5bn offer made by QVC, the home shopping television network.

The news of the Nynex deal left Viacom down $¼ at $57¾ on the American Stock Exchange and QVC up $¼ at $56 on the Nasdaq market.

Safeway climbed $1 to $19⅞ after the retailing group announced third quarter earnings of 34 cents a share, double last year's comparable figure.

Canada

TORONTO moved bigher at midday on the strengtb of gold and Wall Street's firm tone as investors shook off last week's election-related jitters.

Tbe TSE 300 composite jumped 18.62 to 4,020.65 in turnover of C$382m. Advances led declines by 297 to 259, with 286 issues flat.

Tbe precious metals sub index jumped 149.64, or 1.75 per cent to 8,721.24, chiefly on the upward drive of Placer Dome, the gold giant. Placer rose C$1⅛ to C$27¼ in heavy volume as Nesbitt Thompson upgraded the stock to a strong buy. Among heavily traded stocks, Falvo rose C$0.04 to C$0.25 while Stelco class A shares advanced C$0.083 to C$5½.

ASIA PACIFIC

Region climbs as Nikkei vacillates

Tokyo

Bleak corporate news discouraged investors and msrgin-linked selling in the afternoon eroded earlier gains, but share prices finally closed marginally higber on investment trust buying at the session's close, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed up 57.50 at 20,321.93. Relief over the ending of the turmoil in Russia and an overnight rise in the Chicago futures market prompted arbitrage linked buying. The index rose to a high of 20,410.04, but later fell to the day's low of 20,237.82 as margin traders facing settlements liquidated positions in small lots.

Volume remained tbln at 230m shares against 183m. An unexpected downward earnings revision by Nintendo, the video game maker, added to the uncertainty over share prices, and many investors remained on the sidelines.

Advances led declines hy 550 to 440, with 192 issues remaining unchaoged. The Topix index of all first section stocks rose 0.90 to 1,634.93, while in London, the ISE/Nikkel 50 index rose 1.08 to 1,269.20.

Some traders remain bopeful that the Nikkel will remain above tbe 20,300 75-day moving average, but most investors chose to focus on gloomy corporate news yesterday. Video game makers and other amusement stocks were slack due to the Nintendo forecast of a 21 per cent fall in pre-tax profits, to Y121bn, for the current year to next March.

Discount menswear retailers continued to weaken on the Fair Trade Commission's investigations into allegedly misleading advertlsements, and construction companies were lower on the spate of bribery allegations and the arrest of an executive at Taisei, a leading construction company.

Nintendo fell Y510 to Y8,790, Sega Enterprises lost Y400 to Y10,700 and Konami Y120 to Y4,930. Among menswear discounters, Aoki international fell Y80 to Y5,420.

Talsei lost Y26 to Y613, while Shimizu declined Y14 to Y816 and Obayashi fell Y21 to Y624. Nippon Telegraph and Telephone, the bellwether stock of the Tokyo stock market, lost Y8,000 to Y868,000.

Foreigners supported bigh-technology issues. Sony rose Y40 to Y4,650 and Sharp rose Y10 to Y1,560. Toyota Motor gained Y40 to Y1,750 and Honda Motor rose Y30 to Y1,570 on buying by overseas investors.

Semiconductor related issues were stronger, with Nikon up Y32 to Y947 and Tokyo Electron advancing Y70 to Y3,100.

In Osaka, the OSE average rose 22.69 to 22,274.63 in volume of 19.7m shares.

Roundup

Pacific Rim markets took their cue to move ahead from the easing of Russian tensions, as well as diverse local factors.

HONG KONG continued to benefit from strong US institutional demand and the Hang Seng index finished at its third consecutive record high, up 125.16 at 7,869.48 and close to the intraday high of 7,878.35.

Several leading US houses have increased their weighting for Hong Kong in recent days, triggering heavy demand for local stock, with immediate political developments taking a back seat in the current rally.

Turnover improved to HK$4.93bn from HK$3.72bn on Monday, with turnover in index futures and options twice that of the share market.

AUSTRALIA ended at a six-year high, boosted by a new allocation of funds at tbe start of the new quarter and strong performances by BHP and News Corp. The All Ordinaries index closed 21.5 ahead at the day's high of 1,998.5, with analysts commenting that only weakness in the gold sector preventing it from breaching the 2,000-level.

BHP jumped 52 cents or 3.2 per cent to a record close of A$16.94, after an intraday higb of A$16.96. News Corp also at a peak, touched A$11.00 hefore easing back to end 14 cents stronger at A$10.92.

BANGKOK jumped 2.1 per cent with across-the-board rises in active trade and the SET index ended above 1,000 for the first time in three years. The index leaped 20.74to end at the day's high of 1,019.45 in heavy turnover of Bt8.39bn.

SINGAPORE moved higher in record volume of 618m shares against s previous peak of 550.12m set on April 14. The Straits Times Industrial index rose 10.44 to 2,033.51.

NEW ZEALAND moved higher, ahead of tbe government's pre-election fiscal update which came after the market closed, and the NZSE-40 capital index added 9.25 to 1,955.61 in turnover of NZ$36m.

TAIWAN was unable to maintain its best levels with profit-taking leaving the weighted index to finish 5.02 higher at 3,813.26, after an intraday high of 3,832, in thin turnover of T$10bn.

MANILA rebounded strongly as the currency stabilised and the composite index rose 46.52 to 1,951.06 after Monday's 55-point plunge as volume swelled to 504m shares.

SEOUL closed slightly higher in a day of improved trading volume in spite of rumours of a debt default by a leading business group. The composite stock index added 2.66 points to 717.71.

SOUTH AFRICA

JOHANNESBURG finished off the day's lows with golds 14 softer at 1,483, industrials 20 lower at 4.417 and the overall index 28 easier at 3,714. Anglos shed R2 to R126, and Barlows R1.50 to R38. Richemont rose 15 cents to R39.

Strategists plump for Pacific Rim

PACIFIC RIM equity markets, already attracting US analysts, continue to win converts.

The global strategy team at Nomura in London has donbled its model portfolio weighting for Hong Kong to 6 per cent and is introdncing Malaysia with 3 per cent and tbe Pbilippines and Korea witb 2 per cent each.

The re-rating, at the expense of the US, doubles Nomura's total welghting for emerging markets to 20 per cent.

Mr Nicholas Knigbt, who heads the Nomura team, said tbat the attractions were growth rates whicb look ontstendingly good by western standards, and generally reasonable market valuations.

Mr David Roche of Morgan Stanley, which again raised its Hong Kong weigbting yesterday, suggested that one outcome of events in Moscow could be convergence between Russia and China if an anthoritarian, pro-reform government was installed. He advised building equity weightings in the Far East, particularly connected to the Cblna story, at the expense of Europe.

EUROPE

Bourses rise in response to interest rate theory

THE BULL argument for European equities was put yesterday by Mr Anthony Thomas, of Kleinwort Benson: "Our strategy is unashamedly unsophisticated: we see interest rates triggering a shift out of cash and into equities."

Bourses backed the argument up, *writes Our Markets Staff,* particularly in Germany where the yield on five-year notes, or Bundesobligationen, was reduced by six basis points to 5.55 per cent.

FRANKFURT rose by 2.6 per cent to a new all-time closing higb, tbe DAX index ending 49.01 higher at 1,972.73. Traders said that investment funds had chosen not to roll over call money investments from the third into the fourth quarter because of current low short-term interest rates.

Turnover more than doubled from DM5.25bn to DM10.8bn. Apart from the interest rate argument, said Ms Barbara Altmann at B Metzler, DTB traders caught short hy Mr Yeltsin's victory in Moscow were said to be covering their positions in the cash market. Allianz, whicb welghs in st over 12 per cent of the DAX, rose by DM127, or 4.9 per cent to DM2,708.

Daimler took it's place on the New York stock exchange with the underlying shares up DM14 to DM760, still a below average gain on the day. Above average performers included Degussa, the metals and chemicals group, disposing of a loss-making subsidiary and climbing DM25, or 6.7 per cent to DM385.50; and Kaufhof, the retailer, planning to list ADRs on Wall Street and rising DM32.50 to DM560 on the excitement of it all.

PARIS was optimistic about benchmark interest rates, and decided that the bargain price for the BNP privatisation was a bull point. The CAC 40 index rose 30.11, or 1.4 per cent to 2,158.77 and Rhone Poulenc, depressed by the BNP pricing on Monday, recovered FFr3.50 to FFr156.50.

US investors were reported to be snapping up companies such as LVMH and Club Med, which have strong interests in North America and rose by FFr172 to FFr3,880, and by FFr16 to FFr392 respectively.

However, Schneider, the electrical equipment and construction group, dropped first on plans to raise FFr3bn, and secondly on a report that the company's chairman, Mr Didier Pineau-Valencienne, faces a legal investigation in Belgium. It closed FFr28 lower at FFr358.

MILAN continued to be driven by the Fiat rally and the Comit index added 5.95 to 596.47. Mr John Stewart, of InterEuropa in Milan, noted that Fiat's share price had picked up by 10.4 per cent since last Wednesday's sell-off as the market reassessed its rights issue, and the terms of the sale of its Rinascente stake.

Fiat rose another L100, to L6,180. Rinascente wes L102 higher at L9,920.

Ifil, the Agnelli holding company, picked up L61 to L5,866, recouping some of Monday's sharp losses, as it sought to reassure analysts by forecasting that 1993 pretax profit would rise to L315bn from last year's L198bn. Fondlaria gained L700 or 5.4 per cent to L13,500 on sbort covering ahead of its rights issue.

ZURICH took its lead from a higher Frankfurt and the SMI index overcame recent hesitancy to push convincingly through the 2,500 level. The index finished 31.0 or 1.2 per cent higher at a record 2,521.3.

Insurers were supported by recent profits figures and investors beginning to adjust portfolios to match the SMI index whicb will weigbt the sector more heavily from next year. Swiss Re was SFr100 higher at SFr3,480 and Winterthur advanced SFr23 to SFr748.

Swissair posted a further SFr28 rise to SFr718 amid continued speculation about the outlook for the Alcazar alliance.

AMSTERDAM found early support from the options market and pushed higher after Wall Street opened firmly with a further round of investment buying. The CBS Tendency index rose 1.2 to 126.9.

Financials were in demand with ABN-Amro Fl 1 up at Fl 46.40 and Ing, recommended hy Goldman Sachs as "one of the most attractive European financiel shares. . .", adding Fl 1.70 to Fl 75.70.

STOCKHOLM's Affärsvärlden General index rose 26.7 to 1,325.74, and HELSINKI's Hex put on 35.03, or 2.5 per cent at 1,325.74.

Headlines included a SKr7 rise to an all-time high of SKr444 in Ericsson B, and Nokia's further FM21 gain to FM283 after a chart topping performance this year.

Written and edited by William Cochrane and Michael Morgan.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

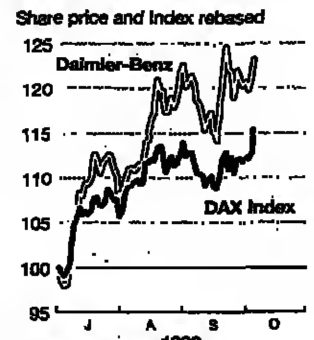
October 5 Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	1311.90	1311.40	1311.04	1310.66	1310.31	1313.00	1313.86	1313.91
FT-SE Eurotrack 200	1391.06	1390.36	1389.33	1389.13	1389.57	1391.49	1392.20	1391.47

	Oct 4	Oct 1	Sep 30	Sep 29	Sep 28
FT-SE Eurotrack 100	1299.14	1293.99	1293.02	1288.31	1288.96
FT-SE Eurotrack 200	1377.73	1368.19	1362.51	1356.79	1364.11

Base value 1000 (26/10/90) High/day: 100 - 1314.82 200 - 1392.24 Low/day: 100 - 1310.11 200 - 1387.81.

Germany

Share price and index rebased



Source: Datastream

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at SEPTEMBER 30, 1993 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter.
The percentage change for each Dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Market capitalisation as at SEPTEMBER 30, 1993 (US$m)	% of World Index	Market capitalisation as at JUNE 30, 1993 (US$m)	% of World Index	% change in $ index since DECEMBER 31, 1992
Australia (69)	115000.2	1.32	103395.7	1.25	+13.97
Austria (17)	11718.0	0.13	10354.4	0.12	+20.92
Belgium (42)	54108.2	0.62	54451.8	0.66	+8.90
Canada (107)	136373.5	1.57	141914.2	1.71	+5.25
Denmark (32)	27952.8	0.32	26551.3	0.32	+23.69
Finland (23)	14733.7	0.17	11782.7	0.14	+59.07
France (97)	285170.8	3.28	252093.3	3.04	+13.93
Germany (60)	294547.1	3.39	252256.8	3.04	+22.11
Hong Kong (55)	150359.0	1.73	140999.5	1.70	+37.69
Ireland (14)	11077.4	0.13	10354.1	0.12	+23.55
Italy (70)	104069.7	1.20	95556.4	1.15	+34.08
Japan (470)	2655751.8	30.53	2555926.8	30.81	+45.05
Malaysia (69)	65722.9	0.78	51205.8	0.62	+58.55
Mexico (19)	58046.3	0.67	42058.0	0.51	+0.81
Netherland (24)	137651.3	1.58	123710.0	1.49	+21.87
New Zealand (13)	14707.2	0.17	12141.3	0.15	+38.74
Norway (22)	7465.9	0.09	6736.1	0.08	+23.12
Singapore (38)	34692.8	0.40	28671.8	0.35	+39.73
South Africa (60)	82598.8	0.95	79274.5	0.96	+40.38
Spain (43)	76216.6	0.88	69793.4	0.84	+17.37
Sweden (36)	70744.8	0.81	62477.3	0.75	+14.74
Switzerland (50)	182658.3	2.10	166713.1	2.01	+23.48
United Kingdom (218)	830239.1	9.54	786153.8	9.48	+7.28
USA (520)	3276470.0	37.67	3210116.9	38.70	+5.39
Europe (748)	2108553.5	24.24	1928984.5	23.26	+14.80
Nordic (113)	120897.1	1.39	107547.4	1.30	+21.17
Pacific Basin (714)	3036233.9	34.81	2892341.0	34.87	+43.44
Euro-Pacific (1462)	5144767.4	59.15	4821325.5	58.13	+30.25
North America (627)	3412843.5	39.24	3352031.0	40.41	+5.39
Europe Ex. UK (530)	1278314.4	14.70	1142830.5	13.78	+20.29
Pacific Ex. Japan (244)	380482.1	4.37	336414.1	4.05	+32.78
World Ex. US (1648)	5421806.0	62.33	5084572.1	81.30	+29.30
World Ex. UK (1950)	7868036.9	90.46	7508535.1	80.52	+20.49
World Ex. So. Af. (2108)	8615677.2	99.05	8215414.5	99.04	+18.93
World Ex. Japan (1698)	6042524.2	69.47	5738762.1	69.19	+10.32
The World Index (2168)	8698278.0	100.00	8294689.0	100.00	+18.11

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY OCTOBER 4 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY OCTOBER 1 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	144.26	+0.1	141.18	66.48	121.80	148.34	+0.2	3.48	144.05	141.86	96.52	122.15	147.98	148.84	117.39	124.16
Austria (17)	170.96	+1.2	167.31	114.34	144.35	144.04	+0.5	1.09	168.58	166.31	113.18	143.20	143.35	180.43	131.16	160.43
Belgium (42)	147.45	-0.4	144.30	98.81	124.48	127.92	-0.8	4.51	148.05	145.80	99.18	125.54	128.88	156.76	131.18	145.40
Canada (107)	121.87	+0.3	119.25	81.50	102.89	118.07	+0.4	2.87	121.46	119.61	81.38	102.99	117.64	130.38	111.41	114.66
Denmark (32)	229.79	+0.0	224.88	153.88	194.02	205.49	-0.4	1.10	229.76	226.28	153.97	194.84	206.26	233.14	185.11	206.77
Finland (23)	111.52	+1.3	109.13	74.59	94.15	136.05	+0.9	0.76	110.04	108.37	73.74	93.31	134.87	115.56	65.50	58.47
France (97)	169.59	+0.8	165.96	113.41	143.17	150.70	+0.5	3.06	168.14	165.58	112.85	142.56	150.00	171.69	142.72	150.57
Germany (60)	126.52	+1.0	125.77	85.96	108.51	108.51	+0.6	1.94	127.23	125.30	85.26	107.89	107.89	129.13	101.59	111.28
Hong Kong (55)	307.64	+0.9	301.06	205.74	259.76	305.55	+0.8	3.33	305.03	300.39	204.38	258.66	302.94	307.64	218.82	230.82
Ireland (14)	171.05	+1.8	167.39	114.39	144.41	166.91	+0.9	3.36	168.31	165.75	112.78	142.72	165.44	173.06	129.28	143.81
Italy (70)	73.26	+0.4	71.70	48.99	61.86	86.84	+0.2	1.86	73.01	71.89	48.91	61.90	85.75	78.93	53.78	47.47
Japan (469)	153.40	+0.2	150.12	102.59	129.53	102.59	+0.1	0.81	153.02	150.70	102.53	129.77	102.53	165.91	100.75	107.76
Malaysia (69)	418.20	-0.4	409.25	279.87	353.06	410.31	-0.4	1.66	420.00	413.61	281.41	356.13	412.15	420.00	251.66	246.83
Mexico (19)	1664.05	-0.4	1628.46	1112.89	1404.99	5671.07	-0.5	0.87	1671.20	1645.77	1119.78	1417.10	5697.22	1771.56	1410.30	1290.60
Netherland (24)	187.19	+0.8	183.19	125.19	158.05	155.84	+0.4	3.51	185.76	182.94	124.47	157.52	155.28	187.19	150.39	164.73
New Zealand (13)	68.79	+0.1	58.51	39.99	50.48	57.89	+0.2	3.87	59.72	58.81	40.02	50.64	57.56	62.98	40.56	40.80
Norway (23)	173.62	+2.3	169.90	116.11	146.59	187.37	+1.8	1.53	169.80	167.21	113.77	143.98	164.44	177.44	137.71	140.09
Singapore (38)	301.04	+0.9	294.80	201.33	254.17	219.33	+0.7	1.54	298.84	294.09	200.10	253.23	217.72	301.04	207.04	188.21
South Africa (60)	204.18	-0.2	199.80	136.54	172.37	185.65	-0.7	2.82	204.53	201.42	137.04	173.43	187.09	215.29	144.72	144.29
Spain (42)	137.07	+0.3	134.13	91.67	115.73	135.72	-0.5	4.21	136.72	134.64	91.61	115.93	136.41	140.97	115.23	110.05
Sweden (36)	190.34	+0.1	186.27	127.30	160.71	227.39	-0.1	1.48	190.06	187.17	127.35	181.17	227.62	196.23	149.70	151.15
Switzerland (50)	141.38	+0.8	138.38	94.56	119.38	124.20	+0.3	1.75	140.17	138.04	93.92	118.87	123.79	141.83	108.91	117.84
United Kingdom (218)	188.93	+1.5	184.88	126.34	159.50	184.89	+0.8	3.87	186.18	183.34	124.73	157.85	183.34	181.70	162.00	164.88
USA (518)	188.50	+0.0	184.47	126.07	159.15	188.50	+0.0	2.72	188.57	185.70	126.36	159.91	188.57	188.40	175.38	166.34
Europe (748)	158.38	+1.0	154.97	105.91	133.71	147.79	+0.5	3.05	158.76	154.37	105.03	132.93	147.04	159.39	133.92	135.66
Nordic (114)	180.26	+0.4	176.40	120.55	152.19	186.59	+0.1	1.31	179.54	176.80	120.30	152.24	186.44	183.23	142.13	144.72
Pacific Basin (713)	158.48	+0.3	155.09	105.99	133.81	110.51	+0.1	1.07	158.07	155.66	105.92	134.04	110.40	168.80	105.89	112.08
Euro-Pacific (1461)	158.32	+0.6	154.94	105.88	133.67	125.58	+0.3	1.89	157.42	155.03	105.47	133.48	125.25	162.86	117.26	121.62
North America (625)	184.37	+0.0	180.42	123.32	155.89	183.73	+0.0	2.73	184.41	181.61	123.58	156.40	183.77	185.59	171.51	163.13
Europe Ex. UK (530)	138.66	+0.7	135.91	92.90	117.28	126.27	+0.3	2.51	137.99	135.78	92.40	118.94	125.90	139.50	112.51	117.57
Pacific Ex. Japan (244)	208.45	+0.4	203.99	139.43	176.02	194.72	+0.4	2.95	207.65	204.49	139.16	176.10	193.93	208.45	152.70	154.52
World Ex. US (1647)	158.49	+0.5	155.10	106.01	133.82	127.44	+0.2	1.92	157.64	155.24	105.63	133.67	127.12	162.89	115.51	122.29
World Ex. UK (1947)	165.43	+0.2	161.89	110.64	139.69	142.53	+0.1	2.04	165.09	162.58	110.83	140.00	142.44	168.50	134.22	133.49
World Ex. So. Af. (2105)	187.36	+0.8	183.78	111.94	141.32	145.96	+0.1	2.21	166.81	184.27	111.75	141.46	145.75	170.43	137.29	136.27
World Ex. Japan (1696)	176.92	+0.4	173.13	118.33	149.40	171.29	+0.2	2.84	175.28	173.60	118.13	148.50	170.98	177.11	157.47	152.57
The World Index (2165)	167.50	+0.3	193.92	112.02	141.43	146.34	+0.1	2.22	166.96	164.42	111.57	141.58	146.14	170.42	137.32	136.22

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